

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

## Consultation Responses

June 2018





\*Ar gael yn Gymraeg / Available in Welsh

EUF 01	Cyngor y Gweithlu Addysg	Education Workforce Council
EUF 02	Undeb Cenedlaethol Addysg Cymru	National Education Union Cymru
EUF 03	Sefydliad y Peirianwyr Sifil Cymru	Institute of Civil Engineers
EUF 04	Gofal Cymdeithasol Cymru	Social Care Wales
EUF 05	Colegau Cymru	Colleges Wales
EUF 06	Cyngor Celfyddydau Cymru	Arts Council of Wales
EUF 07	Cyngor Gweithredu Gwirfoddol Cymru	Welsh Council for Voluntary Action
EUF 08	Prifysgolion Cymru	Universities Wales
EUF 09	Cyngor Gweithredu Gwirfoddol Cymru	National Farmers Union Cymru
EUF 10	Cymdeithas Llywodraeth Leol Cymru	Welsh Local Government Association
EUF 11	GIG Cymru Cyfarwyddwyr Cyllid	NHS Wales Directors of Finance
EUF 12	Prifysgol Caerdydd	Cardiff University
EUF 13	Parciau Cenedlaethol Cymru	National Parks Wales
EUF 14	Cymdeithas Tir a Busnes Cefn Gwlad Cymru	Country Land and Business Association
EUF 15	Cyngor Bwrdeistref Sirol Blaenau Gwent	Blaenau Gwent County Borough Council
EUF 16	Bwrdd Iechyd Prifysgol Hywel Dda	Hywel Dda University Health Board
EUF 17	Ffederasiwn Cenedlaethol yr Hunangyflogedig a Busnesau Bach Cymru	National Federation of Self Employed and Small Businesses Wales
EUF 18	Cynghrair Cymunedau Diwydiannol Cymru	Industrial Communities Alliance Wales
EUF 19	Sefydliad Siartredig Cyllid Cyhoeddus a Chyfrifyddiaeth	Chartered Institute of Public Finance and Accountancy
EUF 20	Yr Athro Janet Dwyer, Prifysgol Gloucester	Professor Janet Dwyer, University of Gloucester
EUF 21	Y Sefydliad Astudiaethau Cyllid	Institute for Fiscal Studies
EUF 22	Undeb Amaethwyr Cymru	Farmers' Union of Wales
EUF 23	Y Sefydliad Cynllunio Trefol Brenhinol yng Nghymru	Royal Town Planning Institute Wales
EUF 24	Chwarae Teg	Chwarae Teg
EUF 25	Comisiynydd y Gymraeg	Welsh Language Commissioner
EUF 26	Fforwm Cydraddoldeb ac Amrywiaeth	Equality and Diversity Forum
EUF 27	Sefydliad Bevan	Bevan Foundation

EUF 28	Comisiwn Cydraddoldeb ac Hawliau Dynol	Equality and Human Rights Commission
EUF 29	Yr Athro Steve Fothergill, Prifysgol Sheffield Hallam	Professor Steve Fothergill, Sheffield Hallam University

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14 March 2018

Dear colleagues

### Consultation on preparations for replacing EU funding for Wales

The Education Workforce Council (EWC) is the professional regulatory body for the education workforce in Wales, covering teachers and learning support staff in school and further education settings, work based learning practitioners and youth / youth support workers. The EWC Register includes 80,000 registrants.

Under EU Directive 2005/36/EC, the Education Workforce Council is the “competent authority” in Wales, with responsibility to assess the professional status of persons from EU countries seeking to have their qualifications recognised in Wales, and in turn be afforded “Qualified Teacher Status” in Wales. This remit relates to school teachers only. At its peak in 2013-14, the Council received around 100 such applications, however this figure has now fallen to around 40 per year.

The Council will require clarification from the Home Office as to whether this scheme will continue to apply following Britain’s exit from the EU. Depending on the decision, the EWC and Welsh Government may need to develop alternative arrangements for persons from Europe who wish to have their existing qualifications recognised in order to teach in Wales, rather than retraining. In this regard, it is worth acknowledging that qualified teachers from countries outside the EU who wish to teach in Wales on a permanent basis already need to gain a teaching qualification here and are unable to have their existing qualifications recognised.

If I can be of further assistance, please do not hesitate to contact me. This information has previously been provided to the External Affairs and Additional Legislation Committee.

Yours sincerely

Hayden Llewellyn  
Chief Executive

Chair, David Rees AM  
External Affairs and Additional Legislation Committee  
National Assembly for Wales  
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1<sup>st</sup> February 2018

Dear Chair,

## **Wales' future relationship with the European Union**

Thank you for the opportunity to feed in to your recent Stakeholder Event on the above consolation.

As stated at that event, there are a range of challenges facing the education sector, in light of the planned exit of the European Union. We have set out some of those below.

### **The 21<sup>st</sup> Century Schools and Education Programme**

The 21<sup>st</sup> Century schools programme has already helped to upgrade, and in some cases entirely rebuild, the school and college estate in Wales. According to the European Commission website, this Public Private Partnership (PPP) will bring significant European funds to the next phase; a further “£500m/630m to build new school and college facilities in Wales” from January 2019 until 2024.<sup>1</sup>

We would wish to seek clarification of where alternative funding will be sourced to replace this once we leave the EU, as many of our school and college estate would benefit from work.

### **Further (and Higher) Education**

Whilst we don't organise in the Higher Education (HE) sector, we do have some members teaching HE courses in an Further Education (FE) setting. As already mentioned, the FE estate receives ESF to help rebuild aging campuses. The FE sector also benefits from Erasmus+ funding, helping to support students and staff to visit countries in the EU and share good practice and learning.

One of our members who is a manager in FE said:

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<sup>1</sup> <https://ec.europa.eu/eipp/desktop/en/projects/project-134.html>

“FE utilises Erasmus for students and staff mobility and this is going to be a real loss to us. ESF work allows us to focus on areas that general funding does not. How are we to carry these necessary areas out without the focused funding? If it goes into a general pot there is a risk it will be swallowed up and not happen!”

Adult learning in the wider sense also supports people back into work and to gain qualifications which they would otherwise be unable to obtain.

European Social Funds and European Structural Funds work schemes have supported projects since 2007 to:

- Supported 229,110 people to gain qualifications
- Helped 72,700 people into work
- Created 36,970 (gross) jobs and 11,925 enterprises
- £85m for 33,000 apprenticeships and 12,000 traineeships across Wales at employers including Airbus, Admiral and GE Aviation
- £2.1m to promote Science, Technology, Engineering and Maths among young people through the STEM Cymru project

### **Research and Innovation**

WEFO currently has a funding call out for ERDF ‘accelerating world-class collaboration in research and innovation’<sup>2</sup>. Our members in the post-compulsory sector would be concerned about opportunities for students to study good quality courses close to home, should there be a withdrawal of funds from this sector. We realise some of the changes planned in the Tertiary Education and Research Commission for Wales (TERCW) are meant to mitigate some impacts on the post-compulsory sector. However, structures alone will not be enough.

### **Transatlantic Trade and Investment Partnership (TTIP)**

TTIP was a major concern for us as a union, and animated many of our members about the concerns which it raised. In short, whilst we recognise that the UK will be looking to undertake trade negotiations outside of the European Union, once leaving, we would be very concerned should anything mirror some of the concerns which TTIP threw up.

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<sup>2</sup> <http://gov.wales/funding/eu-funds/2014-2020/?lang=en>

In short, TTIP is a threat to education because it includes education within the negotiated 'services' sector, and limits what the UK Government, let alone the Welsh Government, can do:

“[TTIP] is bad for democracy because TTIP seeks to put the interests of transnational companies above citizens and democratic structures, such as local authorities and the national regulations, laws and courts. The proposed 'Regulatory Cooperation Council' is an example of this. It is designed to give business an 'early warning' of new regulations in the EU before they become law – so that business can challenge them. This has been referred to by campaigners as an institutionalisation of corporate lobbying in the EU.

National government will likely have reduced ability to determine to what extent education can be a public service, and to set and regulate standards. Regulatory standards are essential for governance, accountability and probity, but local government procurement policies in support of social or environmental goals might be deemed a barrier to free trade.

For instance, our ability to set social priorities, such as ensuring equal opportunity for all using the 2010 Equalities Act, could be restricted.”<sup>3</sup>

We note that the Wales (Act) 2017 does not include employment law within devolved competence, never-the-less, such issues as raised by TTIP which have an impact on terms and conditions for our members are of significant concern.

We would appreciate any opportunities to share our members' concerns and to look in detail at proposals which are relevant to our members across education in terms of withdrawal from the European Union.

Yours sincerely,

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<sup>3</sup> <https://www.atl.org.uk/policy-and-campaigns/policy-posts/transatlantic-trade-and-investment-partnership-ttip>





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28 April 2018

Dear Sir / Madam

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

We are delighted to give comments to the Finance Committee of the National Assembly for Wales in respect of the Inquiry into preparations for replacing EU funding for Wales - Consultation.

### **1. Current state**

- a. The construction sector contributes £8 billion to the Welsh economy per annum, there are 13,000 companies employing 130,000 in roles ranging from traditional onsite construction roles to professional service roles, such as Civil Engineers. A significant number of these professionals are EU Nationals who are working in Wales / the UK. They currently enjoy freedom of movement rights. Similarly, many UK / Wales Nationals work in the EU. We need to secure the rights of existing EU workers in the construction sector if we are to avoid projects being ground to a halt, particularly in the capital together with an immigration system that recognises the importance of construction to the UK's competitiveness and supports the sector in attracting global talent.
- b. UK investment for infrastructure is from a combination of public and private sources. Post construction these assets form stable sources of income for pension funds. Every 1000 direct jobs created by new infrastructure projects boost wider employment by over 3000 jobs.
- c. Historically EU funding sources have supported many infrastructure and social projects around Wales. One example is the A 483 Ruabon, Newbridge and Chirk bypasses in north east Wales. Some £20m - £30m Euros in the 1980's assisted this project. The immediate effect was easier and quick access to Merseyside and Manchester and other places in north east Wales, rejuvenation has been startling. This type of funding must be maintained





## 2. Future Status

- a. At times of uncertainty and national pressure construction is often the sector first economically impacted and impacted for longest. Uncertainty makes Wales and the UK a less attractive investment location/option.
- b. To build a prosperous Wales will require investment, for this there is a need for visible long term planning and a stable pipeline of projects. There is a need for the public sector to demonstrate strong leadership in this area to encourage confidence and maintain investment. We need to create a Wales that is appealing to private sector European Funding. This will be achieved by having:
  - i. a stable economy,
  - ii. with a stable return on investment.In addition, international investment must be sought.
- c. The public sector funds more than half of Wales' construction activity, governed by EU procurement regulations. It is important for the industry to understand what the Welsh approach to procurement will be post EU exit, for example will there be an increase in procurement from internal markets?
- d. There are few barriers to European companies to operate in Wales and the UK; this is in contrast to almost all other European Countries that require national level registration. The implications of this in a post Brexit economy needs to be addressed to avoid unfair penalty or advantage.
- e. A long term programme is needed to evolve the skills and practices of the sector in line with cultural and technological demands. This would be done to attract a more diverse workforce and take advantage of efficiencies offered by new ways of building.
- f. Apprenticeships are key to meeting the resource needs. Furthermore, the EU funder Network 75 was very successful and a long term replacement is required.

## 3. Future funding

- a. European Investment Bank (EIB) investments in the UK economy came to EUR 6.9 billion in 2016, making the country the 5th largest recipient of EIB loans last year. Infrastructure projects accounted for 47% of total investments, while environment claimed 36%. Innovation and support to smaller businesses in the UK claimed 14% and 3% respectively. Over the past five years (2012-2016) the EU bank has invested over EUR 31.3 billion in the British economy.





- b. In 2014, the EIB made significant investment of £230 million in Dŵr Cymru's capital investment programme, including £15 million in Rainscape projects at Llanelli and Gowerton. There is need for clarity on the Wales' and the UK's relationship with the EIB and industry consultation on alternative funding options for addressing this gap in the funding mix. Could a regional Investment Bank model be a possible replacement for funding infrastructure projects in Wales? Another option may be establishing a Social Cohesive Fund for Wales.
- c. Welsh technology in construction is progressing – and as construction become reliant on this technology. It needs economic, technical and economic access to Pan European technology. Examples would include satellite and communication systems.

Yours sincerely

**Keith Jones**  
**Director**  
**ICE Wales Cymru**

**Sarah Jones**  
**Chair**  
**ICE Wales Cymru**

**Stephen Lawrence**  
**Immediate Past Chairman**  
**ICE Wales Cymru**

## Notes

- The Institution of Civil Engineers (ICE) was founded in 1818 to ensure professionalism in civil engineering.
- It represents 92,000 qualified and student civil engineers in the UK and across the globe and has over 3,600 members in Wales.
- ICE has long worked with governments of the day to help it to achieve its objectives, and has worked with industry to ensure that construction and civil engineering remain major contributors to the UK economy and UK exports.
- For further information visit: [www.ice.org.uk](http://www.ice.org.uk) and [www.ice.org.uk/wales](http://www.ice.org.uk/wales)





## Gofal Cymdeithasol Cymru Social Care Wales

### **What will replace EU funding post-Brexit? – New Assembly committee inquiry**

The terms of reference for the inquiry are:

- To assess the financial planning for replacing EU funding streams in Wales, and what is being done to prepare for different potential scenarios around levels of funding and administrative responsibility; and,
- To explore 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.

### **Evidence provided from Social Care Wales**

#### **Contact:**

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### **1. Introduction to Social Care Wales**

Social Care Wales is a Welsh Government Sponsored Body established under the Regulation and Inspection of Social Care (Wales) Act 2016 to protect, promote and maintain the safety and well-being of the public in Wales.

Our aims are to:

- Provide public confidence in the social care workforce
- Lead and support improvement in social care
- Develop the early years and social care workforce

As part of our aim to develop the workforce our five year strategy commits us to improve the quality and management of social work and social care training by influencing, investing and developing national training and development programmes. It is in this context that we are pleased to respond to this consultation. We recognise that there has been a wide range of EU funding streams including capital programmes, agricultural policies, maritime and fishing and we make no comment about these aspects. Our evidence concentrates on funding relating to the European Structural Funds around employment, education, learning and business development.

## 2. The demography of Wales and the sector:

Social care and child care were recently identified as priority sectors for employability and in the economic strategy *Prosperity for All*. It should be noted that this sector remains a major employer in Wales with 56,500 workers in social care commissioned services (including independent and voluntary/3<sup>rd</sup> sector) across 1,414 services. The businesses are primarily SME with only 7% employing more than 100 staff. Social care services are provided primarily through the public purse either directly, or through services commissioned by the local authorities from the private and voluntary sector. There are around 1400 commissioned social care services employing around 50,500 staff in Wales 2016-17<sup>1</sup>. Of these 22% are located within the voluntary sector and 78% within the private sector. In addition there were 21,840 staff employed directly by social services in local authorities in March 2017<sup>2</sup>. This suggests an increase of 3.4% of the workforce since 2014.

The House of Lords Committee on Public Service and Demographic Change warned in March 2013 that the UK was “woefully underprepared” for the social and economic challenges presented by an ageing society and that a “radically different model” of care would be needed. This includes a rise in the community based care to try to keep people in their communities and their own homes for as long as possible, a rise in the use of direct payments and a rise in conditions and results of age that increase social care and support needs including dementia, physical frailty and disability and sensory loss. In Wales these changes are reflected in the new legislation Social Services and Well-being (Wales) Act 2014. Between 2015 and 2035, there is predicted to be a 72% increase in people over 65 with dementia<sup>3</sup>. The number of older people (those aged 65 and over) requiring residential care services is projected to increase by 82% between 2015 and 2035, and the numbers receiving community based services by 67% when 2015 population figures are used to forecast population growth in older people<sup>4</sup>.

CIW estimate that around 112,234 people were using regulated services in March 2017 across social care and early years<sup>5</sup> an increase of 3.7% in one year. This covers around 6133 total regulated settings in the sector, a slight reduction of 0.8% from 2016<sup>6</sup>. This does not include family care, informal or community based setting not covered by regulation. The majority of care providers in Wales are commissioned by the public sector and through public sector funding to a range of providers in the statutory, independent and third sector. These figures do not take account of other unregulated services providing day care or other community based services, these services are being developed and encouraged as a result of the Social Services and Well-being (Wales) Act 2014. Substantial further data is available if required.

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<sup>1</sup> The Social Care Workforce Development Partnership Data Collect 2016-17: Local Government Data Unit 2017

<sup>2</sup> <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Staffing/staffoflocalauthoritiesocialservicesdepartments-by-localauthority-posttitle>

<sup>3</sup> ibid

<sup>4</sup> <http://www.daffodilcymru.org.uk/>

<sup>5</sup> <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Services-for-Social-Care-and-Childrens-Day-Care/cssiwservicesandplaces-by-servicetype>

<sup>6</sup> <http://careinspectorate.wales/docs/cssiw/report/171102annualreporten.pdf>

Finally in terms of context, the links between social care and health have been recognised through the new Welsh legislation and the impact that under funding and poor access to social care has on the NHS, delaying the return people to their homes following acute stays in hospital. The integration of the health and social care agenda and services is being driven by the Social Services and Well-Being (Wales) act 2014 and the creation of Regional Partnership Boards (2016), plans for new integrated Health and Care Centres across Wales (2017) and the Integrated Care Fund (2018)

### 3. General Comments in respect of the Inquiry Terms of Reference

Social Care Wales made a response to the recent consultation ***Regional Investment in Wales after Brexit***. We believe that the overall approach outlined in that document is sensible and pragmatic. Many of the workforce development activities within our sector have relied on European Funding streams, some of which are national (apprenticeships) and others which have been regional such as the Skills for Employers and Employees (SEE) project in north Wales and Skills for Industry in South West Wales. This reliance will remain, and increase following government's decision to extend the regulation through registration of the social care workforce from 2018-2022.

The take up of national programmes have been good in our sector (almost 1/3<sup>rd</sup> of all apprenticeships are in our sector) while the regional ones have been less well used. We would suggest therefore in terms of assessing financial planning:

- A priority is established for clear analysis of the take up and outcomes from various existing funding streams.
- Lessons are learned around marketing, targeting, outputs and outcomes to maximise any use of funding, especially if the main investment in the future is to be regional.
- The investment required by employers to access funding around education and skills and specifically and the effects this has on sectors funded principally by the statutory sector. This is particularly important where these sectors are priorities within the Foundational Economy and Employability parts of the economy.

We welcome and agree with the principles laid out in the regional approach. In particular we would support

- “A greater role for inclusive regional partnerships in planning and decision-making, facilitated by an associated alignment of resources”.
- “Mixing complementary national, regional and local investment approaches built around functional economic regions”
- “Greater integration of different policy areas focussing on people and places, bringing together different funding sources and funding models”

4. To explore 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.

In some Regional Skills Partnerships we have experienced some challenges with engagement on behalf of our sector. It can be more difficult to argue for priority or resources, due to the restrictive structures of employer representation being employed and the emphasis being placed on high GVA contributions, capital and inward investment<sup>7</sup>. This appears to take precedence over the importance placed on health, social care, early years and childcare through policy documents such as **The Future Generation (Wales) Act 2015, Prosperity for All** - employability the foundational economy. In other RLSPs there are structures in place that enable greater engagement and influence for the sector.

- We would ask that all new systems to deal with funding post Brexit, takes this more inclusive approach. This is increasingly essential, as the responsibilities of Welsh Apprenticeship Board (and the links to Regional Learning and Skills Partnerships) emerges possibly undertaking approval and of course subsequent funding.

Continued investment by government in our sector's workforce development which will be central to the successful implementation of **Prosperity for All**, and the service improvement and workforce implications contained in the recently published report for the **Parliamentary Review of Health and Social Care in Wales** and the extension of regulation of the social care workforce through **The Regulation and Inspection of Social Care (Wales) Act 2016**. It will also be important in assisting government to achieve their apprenticeship targets outlined in the Programme for Government **Taking Wales Forward 2016-21**.

It will be important that new processes and funding mechanisms take account of the needs of national objectives and localities as well as regions. If some of the ambitions of government to build social enterprises and enhance community capacity and assets to support well-being are to be achieved, purely regional funding may not achieve this on its own. Greater locality involvement may therefore needs to be considered and the importance of national contributions e.g. through apprenticeship funding will remain important

Employers in our sector have struggled to retain their commitment to apprenticeships following the introduction of the WEST assessment system and the new Essential Skills Qualification requirements, since they need such an investment in time away from the workplace. There is considerable disquiet from employers and learners that the assessment system does not reflect the needs of the qualifications and as such, assessment for learning and assessment needs to take place twice. While we of course fully support the need to have a literate and numerate workforce, and indeed increasingly

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<sup>7</sup> Skills for Care and Development have just completed some research that looks at the GVA contributions by the sector in each of the home nations. This will be published in May 2018.

a digitally literate one, it is important to find a way to achieve this more effectively and smoothly, with less time away from the workplace.

- From our engagement with employers and learning providers, WEST has created barriers to learning and its efficacy and unintended consequences should be tested and issues addressed.
- We support the need for a robust assessment methodology in these areas, but the current requirements are causing significant withdrawals in our sector. One large learning provider recently (November 2017) reported to us a 40% withdrawal from previous withdrawal rates of 12%, all related to WEST and Essential Skills requirements.
- Previous Essential Skills in the Workplace schemes have proved more popular with employers in the sector and have achieved good take up by employers and learners in the sector. We would like these schemes to be reinstated or revisited.

We believe it will be important to set a general direction of travel through priorities that will contribute to the development of the economy of Wales and the civil society that forms the principles of **Prosperity for All** and the **Future Generations (Wales) Act 2015**. The importance of working across government departments is clear, and we would hope to see continued interdepartmental activities that ensure that priorities and initiatives with e.g. Health and Social Care can then be supported by the policy and practice within Education and Skills, Welsh Language, People and Communities etc.

- The annual RSP Employment and Skills Plans are a good way to inform a review of updating national priorities, but for this to be fully effective the more inclusive structures with a wider understanding and analysis beyond economics (described above) would need to be adopted by all RSPs.

There should be an ease of access to any new funding with a minimum of bureaucracy. An example of the need for ease of access comes from our sector's rather negative experience of the EU programme Progress for Success from 2015-17. The idea behind the project to respond to the age restrictions for apprenticeships in 2014 was a sound one. However the amount of time and effort taken to get the project approved (18 months); the decision to re-procure providers rather than use the existing work based learning providers; the selection of providers with little experience or track record in early years education; the subsequent short timescales for completions of the frameworks and the reaction of employer not to use those providers all saw a low take up for the project. There was also the unintended consequence of a 27% reduction in take up of apprenticeship from the main apprenticeship funding in this part of the sector.

As identified above, we would also support consideration and approvals for funding in a timely fashion. We believe there is a need to be creative and innovative in what is funded and how it is funded – for example funding for initial qualifications is necessary but so too is developmental funding for awards/CPD type areas. As we move to support government to further regulate the workforce and meet the vision and reality contained within the **Social**



**Services and Well-Being (Wales) Act 2016**, the **Future Generations (Wales) Act 2015**, the **Public Health (Wales) Act 2017** this becomes even more important as we continue to develop our workforce rather than take them to a minimum standard. A percentage of funding needs to be available to support this “post qualifying” top up for sectors



Simon Thomas AM  
Chair, Finance Committee  
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9 May 2018

Dear Mr Thomas

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

ColegauCymru is pleased to respond to the National Assembly for Wales Finance Committee's 'Inquiry into preparations for replacing EU funding for Wales'. I attach a copy of the ColegauCymru response to the Welsh Government's consultation on 'Regional Investment in Wales after Brexit' which is relevant to the work of the inquiry.

It should be noted, that in response to the Welsh Government's proposals for the future of structural investment, ColegauCymru wrote to the Secretary of State for Wales in December 2017. In our letter we asked for clarification as to the way in which the proposed Shared Prosperity Fund would be put in place in Wales. Whilst we received an acknowledgement of our query, no further information as to the operation of the fund has been forthcoming.

I also attach a copy of the ColegauCymru research "Involvement of Welsh Further Education colleges and institutions in EU funding: An overview of the financial uptake". Further Education colleges across Wales have benefitted from European funding, using this to support and upskill the population of Wales through European programmes. These activities have made an important contribution to business and the economy, often in the most deprived areas of Wales. Over the past 10 years, FEIs in Wales have been involved in the delivery of EU funded projects to a total value of almost £600m, both as project lead or project partner. The high degree of concern about the potential loss of this funding across the FE sector must not be underestimated

In addition to the support provided for regional structural assistance, participation in the Erasmus+ and its predecessor programmes has proved valuable for learners in Wales. Since submitting our response to the Welsh Government consultation on 'Regional Investment in Wales after Brexit', ColegauCymru has had further success in bidding for Erasmus+ funding, building on our established and solid track record in applying for, and project managing, Erasmus+ funds on behalf of the FEIs in Wales. Since the launch of Erasmus+ in 2014, ColegauCymru has secured over €3.2million of Erasmus+ funding through its pan Wales consortium applications for staff and vocational

learner/apprentice mobility projects. In 2018, ColegauCymru has been successful in securing over €1.3 million of European funding for its learner mobility project:

All Wales Vocational Learner Mobility 2018/20

TOTALS

584 participants, 11 FE colleges, 1 employer, 19 subjects and 12 countries

= €1,383,808.00.

Furthermore, ColegauCymru secured funding of just over €40k in 2018 for a pan Wales staff mobility project to Helsinki, Finland to explore how the Centre for International Mobility (CIMO) has worked with vocational colleges in the city on the design and implementation of an internationalisation strategy for vocational education and training (VET).

Examples of past staff mobility projects include:

- 2014-15: Senior leaders from FE colleges in Wales, Estyn and Welsh Government visit Finland to explore how literacy and numeracy are embedded in a vocational curriculum.
- 2015-16: A visit to Basque Country, Spain to explore innovation and VET. Tknika, a centre of innovation in San Sebastian hosted the visit. Since the staff visit, ColegauCymru's CEO and Alun Davies AM, then Minister for Welsh and Lifelong Learning returned to San Sebastian to look in more detail at the Basque Country's strategy for innovation in relation to VET.
- 2016-17: A visit to Catalonia, Spain to explore bilingualism and employer demand for language skills in that region. Representatives from ColegauCymru, the FE colleges, Welsh Government and Coleg Cymraeg Cenedlaethol also participated.
- 2017-18: A visit to Denmark to see what actions are in place to deliver higher-level skills in a vocational setting and how capacity building amongst teaching staff is undertaken to deliver these skills.

ColegauCymru and the sector would welcome the opportunity to further discuss these matters.

Yours sincerely,

Rachel Bowen

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## **Written submission from the Arts Council of Wales to the National Assembly of Wales' Finance Committee's call for evidence as part of its inquiry into preparations for replacing EU funding streams in Wales, after the UK leaves the EU.**

### **Context:**

1. This written evidence is submitted jointly by the Arts Council of Wales and Wales Arts International.
2. The Arts Council of Wales is the official public body responsible for funding and developing the arts in Wales. We are accountable to the National Assembly for Wales and responsible to the Welsh Government for the way the money they provide to fund the arts in Wales is spent. We are also a Lottery distributor for the arts in Wales. Wales Arts International is the international arm of the Arts Council of Wales.
3. We have maintained an active engagement with European programmes and funding over the past ten years. Since 2008, Wales Arts International has hosted a European Desk, set up to increase our engagement, and that of the wider arts sector in Wales, with European networks, opportunities and projects. This has been particularly important for projects and relationships developed through transnational European funding streams.
4. We have worked as a partner in strategic European projects including the pilot mobility network Practics (2008-2011) and the INTERREG IVC project Toolquiz (2010-2012). We have also established an informal network of arts organisations based in Wales who are active in, or seeking to engage with, EU networks and projects. This is called the Wales European Arts Forum. We disseminate information to this group on matters concerning EU cultural policy, networking and potential project opportunities, signposting relevant sources of transnational funding.
5. Since the EU referendum vote and the result in favour of leaving the EU, we have engaged in a number of pieces of work to assess the potential impact this may have. In the summer of 2016 Wales Arts International conducted a survey on behalf of Arts Council of Wales to understand the potential impacts of the EU referendum decision on the creative and cultural sector in Wales.<sup>1</sup>

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<sup>1</sup> [The Arts in Wales and the potential impact of leaving the EU](#), survey by Arts Council of Wales / Wales Arts International, October 2016

6. As a member of the Creative Industries Federation, we jointly hosted an event in Swansea in September 2016, to understand better the potential impact of Brexit on the arts and creative industries in Wales. The event fed into the Brexit Report published by the Creative Industries Federation which made key recommendations to the UK government.<sup>2</sup>
7. We have submitted evidence to the National Assembly for Wales' External Affairs and Additional Legislation Committee's work around Brexit and Wales' future relationship with Europe<sup>3</sup>; we have responded to consultations by the House of Commons<sup>4</sup> and the House of Lords<sup>5</sup> inquiries on the potential impact of Brexit on our sector. Eluned Hâf, Head of Wales Arts International, has presented evidence on behalf of the UK arts sector at the European Parliament's Culture and Education Committee<sup>6</sup>. We have also participated in the recent WEFO stakeholder engagement event regarding Regional Investment in Wales after Brexit.<sup>7</sup>
8. The arts and creative sector that we support will have its own comments to offer. However, our work with the sector leads us to believe that our observations will be broadly representative of the sector as a whole.

## **EU funding and the arts in Wales:**

9. The arts sector in Wales has benefitted over the years from a variety of EU funding programmes. In August 2017 we commissioned a report by EUCLID to assess the European Union's contribution to the arts in Wales since 2007 in terms of funding – looking at both structural Funds and transnational funds.<sup>8</sup> While there is a clear benefit for the arts in terms of transnational programmes such as Creative Europe, Erasmus + and Interreg, there is also a large proportion of investment that has come from the European Structural and Investment Funds.
10. The European Funding delegated to Wales has transformed the arts in Wales. This investment has provided a significant match in funding for projects as diverse as training, apprenticeships, community projects and capital build schemes for arts centres, galleries and theatres.

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<sup>2</sup> [Creative Industries Federation Brexit Report](#), October 2016

<sup>3</sup> National Assembly for Wales' External Affairs and Additional Legislation Committee, [Wales' Future Relationship with Europe](#), March 2018

<sup>4</sup> [The impact of Brexit on the creative industries, tourism and the digital single market](#), Inquiry by the House of Commons Culture Media and Sport Committee, October 2016

<sup>5</sup> House of Lords, EU Home Affairs Sub-Committee inquiry, [Brexit: movement of people in the fields of sport and culture](#) (report being prepared)

<sup>6</sup> [Eluned Hâf presentation](#) at the European Parliament's Culture and Education Committee.

<sup>7</sup> [Regional Investment in Wales After Brexit](#), Welsh Government (ongoing)

<sup>8</sup> [Assessing the European Union's contribution to the arts in Wales since 2007](#), EUCLID, August 2017

Wales now boasts an enviable infrastructure of architecturally distinctive arts venues that are creating new opportunities for people across Wales to enjoy and take part in cultural activity. And many of these flagship capital projects have kick-started economic regeneration and have been the catalyst for inward investment and increased community engagement.

11. One exemplar recipient of European Regional Development Fund which has paved the way for further investment in the arts is [Galeri](#), an arts and creative enterprise centre in Caernarfon. Opened in 2005, through partnership investment including around £1.7m ERDF funding, Galeri has always had a strong focus on local regeneration, community engagement and support for the creative sector in Gwynedd. Its development on the site of Victoria Dock became a catalyst for the eventual re-development of this area.
12. ERDF, matched through the Arts Council of Wales' Capital Lottery Scheme and other investors, has provided significant funding investment into a network of high profile arts and creative industries centres across Wales. All have had a transformational impact in their communities and include **Aberystwyth Arts Centre**, **Theatr Mwldan** and most recently opened, [Pontio](#) – Bangor University's Arts & Innovation Centre, (which benefited from some £15m through ERDF.)
13. There has also been a significant investment through European Social Fund into the arts and creative economy in Wales. Between 2007- 2013, as a joint sponsor of the Welsh Government's **Reach the Heights Programme** (2007-13), Arts Council of Wales distributed over £10 million to 73 projects involving over 9,000 young people.
14. Many skills development programmes for the Creative Industries have been of benefit to the arts in Wales, from courses at Further and Higher Education establishments to programmes managed by Skillset to train writers for TV and Film.
15. The arts in Wales – like the creative economy as a whole – have benefited from a variety of transnational programmes such as the dedicated Creative Europe and Interreg. For example, in 2015, five Welsh creative organisations benefitted from almost €1m of funding from [Creative Europe](#) (Media and Culture sub-programmes). This includes Literature Across Frontiers, based in Aberystwyth University, leading one of the flagship European "platforms" with their [Literary Europe Live project](#). The [CORACLE project](#), led by the University of Wales Trinity St David, received just over €1.2m of ERDF funding through the Interreg Ireland-Wales 4A programme. The project supported skills development for those working in the creative and cultural sectors, to maximise the economic, social and cultural benefit of these sectors to both regions.

Erasmus+ is another programme that has invested in creativity and creative skills, for example through the [Network of International Circus exchange](#) project that NoFit State Circus participated as a partner in (2014).

**Potential scenarios – EU transnational programmes:**

16. We continue to argue the case for continued participation in EU transnational programmes such as Creative Europe or Erasmus+, and consider that participation in these programmes post Brexit should be considered at a regional level (ie Wales) if the UK level is not a viable option.
17. If the UK or Wales participated in these programmes post-Brexit, it would be likely that it would be as a “third country”. This would incur certain costs and also would mean that engaging as a partner in projects under these programmes would require finding an increased percentage of match funding.
18. Participation in these programmes brings a variety of benefits to partners, and not just funding. We consider it to be a crucial part of our connections with the EU, opening the doors to networks, future collaborations and routes to market for our arts and creative companies. Identifying and securing match funding has been a consistent issue in the past. We would therefore encourage the creation of a “success pot” that would enable companies to access match funding, should they be successful in unlocking EU transnational funds.
19. Wales should also retain a Creative Europe desk, even if this is funded by Wales outside of the programme to encourage partnership under a “third country model”. Such a desk would provide invaluable intelligence and advice that would extend beyond funding issues and ensure that Wales remained connected to European markets and networks.
20. However, if the UK Government and/or Welsh Government were unable to reach agreement with the EU on continued participation in such programmes as Creative Europe, we would consider it essential that a replacement funding programme is established in order to enable collaborative projects with EU.
21. As Culture is a devolved area competence, we would argue that a replacement funding programme for Wales should be administered in Wales. This could be administered by the Welsh Government or alternatively through a combination of existing public bodies who are set up to manage and distribute funds. For example, the Arts Council as a grant-in-aid/Lottery distributor awards around £45 million of public funding each year.

We have well-established grants management arrangements, robust governance structures, are accountable to the Welsh Government and scrutinised by the National Assembly.

22. We are part of a peer group of Lottery distributors in Wales (including Sports Wales, Heritage Lottery Fund, BigLottery, Ffilm Cymru Wales) who all operate in a similar manner. As sectoral public bodies we have close links with our various sectors.
23. If the decision were that the replacement programme be administered at a UK level, we would anticipate greater cohesion with, and working alongside, sister organisations. In the case of the arts this would be Creative Scotland, Arts Council England and Arts Council of Northern Ireland. This would ensure that the needs and priorities of the creative sector in each devolved region and nation are being taken into consideration and that Wales' voice is being heard.

**Potential scenarios – EU Structural & Investment fund replacement programmes in Wales:**

24. There will be a significant impact in terms of funding infrastructural and other developmental projects in Wales if EU funding is not replaced by equivalent substantive UK funding. In the same way that we would expect the UK government to replace the funding lost to Wales from its withdrawal from the EU, so we and the sector would wish to make the case for the government to replace lost investment to the sector from participation in wider EU programmes.
25. We believe that any alternative arrangements in the future for investing in regional development should adopt the same international perspective and vision that we have seen in the current operation of EU structural funds.
26. Whilst we have commissioned research assessing the EU contribution to the arts in Wales in terms of funding, there is still a lack of comprehensive data on the breadth and depth of the impact of EU investment into the arts and the creative economy (and no doubt other sectors) in Wales and the UK. This is due in part to the complexity of EU funding programmes and the fact that all programmes are managed differently. The ways in which Welsh artists and organisations benefit also varies. Some have participated in programmes managed by other partners in Europe as well as being lead partners themselves. Others have simply benefited from key training and networking opportunities, data which is harder to capture. Often a small amount of investment can have a significant impact for the organisations involved.



27. This is particularly significant for our sector, where organisations are generally smaller and so have not led on large structural funds projects. We would support a delivery model for a replacement EU funding stream in Wales that looks at local partnership approaches (that could include creative organisations), as suggested by stakeholders at the WEFO event referred to earlier in this submission. Our Ideas People Places programme offers a model for working with a variety of local partners for regeneration projects.<sup>9</sup> We would advocate for a partnership model that involves cultural stakeholders as part of the duty placed on public bodies through the Wellbeing of Future Generations Act.
28. Likewise, the administrative burden that partnering in a large EU ESIF project can place on organisations should be minimised where possible. This could be through simplification and harmonization of processes, from application to delivery and evaluation. There is an opportunity here to play to our strengths and do things differently.

Arts Council of Wales / Wales Arts International  
May 2018

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<sup>9</sup> [Ideas People Places programme](#), Arts Council of Wales 2013-2017



## **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.



**Inquiry into preparations for replacing EU funding for Wales  
National Assembly for Wales Finance Committee Consultation  
Response by Universities Wales**

**1. Introduction**

- 1.1. Universities Wales represents the interests of universities in Wales and is a National Council of Universities UK. Universities Wales' Governing Council consists of the Vice-Chancellors of all the universities in Wales and the Director of the Open University in Wales.
- 1.2. We offer the following brief comments in response to the National Assembly for Wales Finance Committee's inquiry into preparations for replacing EU funding for Wales.

**2. Financial planning for replacing EU funding streams in Wales and what is being done to prepare for different potential scenarios around levels of funding and administrative responsibility.**

- 2.1. EU funding streams, and freedom of movement within the EU, have delivered great benefits for their regions by driving innovation, improving competitiveness, creating direct and indirect jobs, and promoting employment and education opportunities. Universities were the third largest recipient of structural funds in the last round, and EU funding is the main source of capital funding and funding for innovation including industry collaboration and skills development for universities in Wales at present. Although there are opportunities for reviewing precisely how funds could be used in future, arrangements for replacing EU funding streams will be critical in determining the future ability of universities to contribute to the economic and social agenda in Wales.
- 2.2. The following paragraphs highlight specifically how changes to the funding streams could affect universities, and their preparedness to deal with different funding scenarios.

Current EU funding streams and universities

- 2.3. Published data for 2015/16 shows that universities in Wales received in particular £29.3m in ERDF income and £16.5m in ESF income to support regeneration programmes. They also received £48.6m for collaborative research from the EU.<sup>1</sup> Together these accounted for £94.4m, just over 6% of total income. However, a more complete picture of the EU funding streams that affect universities is provided below:
- 2.4. **Horizon 2020** is the current major EU research and innovation programme with a budget of around 70 billion euros for the period 2014-2020. The Welsh higher education sector has been successful in winning funds from this highly competitive programme and universities have accounted for nearly two-thirds of Welsh participations in Horizon 2020 and funding received by Welsh organisations under Horizon 2020.<sup>2</sup>

<sup>1</sup> HESA HE-BCI 2015/16 Part B Tables 1 & 3.

<sup>2</sup> <http://gov.wales/funding/eu-funds/horizon2020/?lang=en>

- 2.5. In 2016/17, for instance, Welsh universities accounted for 64% of participations and 66% of Horizon 2020 funding. At the top of the list Welsh organisations awarded funding in 2016/17 were four universities - Cardiff University, Swansea University, Aberystwyth University and Bangor University – who received a total of £20.8m.<sup>3</sup> This reflects Welsh universities' strengths in Excellent Science, as well as significant contributions to the Societal Challenges.
- 2.6. **European Structural and Investment Funds (ESIF)** play a crucial role in supporting universities to generate local growth and jobs by turning ideas and research discoveries into new companies, by fostering entrepreneurship and employability, and by attracting talented people to study, work and spend in their areas. Wales has received over £2bn in Structural Funds since 2000. As the third largest recipient of structural funds in the last round Welsh universities are very exposed to the withdrawal of this funding. In 2015 alone, almost £25 million of ERDF funding was approved for proposals led by universities in Wales to enhance research and innovation infrastructure and build capacity. ESF funded projects at universities in the UK have in particular supported the development of a pipeline for skills progression. Some examples of the transformative projects led by universities with SF investment are included in Annex 1. In particular, the EU funding forms an important component of the City and Growth Deals in Wales – an overview of these is provided in Annex 2.
- 2.7. Students at Welsh universities have benefited from the opportunities to study and work elsewhere in Europe provided by the **Erasmus+ scheme**. In 2015/16 over 700 students at Welsh universities took part in the Erasmus+ mobility programme providing them with an academic, career and life-enhancing opportunity. In the period 2007-2014 over 4,500 students at Welsh universities participated in the scheme.
- 2.8. **Marie Skłodowska-Curie Actions (MSCAs)**: Participation in the MSCAs allows universities to host talented researchers from across Europe and to create strategic partnerships with leading institution.
- 2.9. **EU student and staff mobility**. EU staff play a critical role in supporting the excellence of Wales' research base, as well as the quality and diversity of teaching provision. There were 1,425 staff from the EU at Welsh universities in 2015/16, forming over 10% of the academic workforce. European students make an enormous contribution to Wales – academically, culturally and economically. There were 5,460 EU students at Welsh universities in 2015/16, equivalent to 4% of the student population.
- 2.10. Access to **European Investment Bank** funds has also enabled large-scale infrastructure improvement and development at several Welsh universities. An agreement needs to be in place to ensure continued access to the EIB in the future.

#### Planning for different scenarios

- 2.11. Universities in Wales have a proven track-record of managing financial affairs effectively, and planning for uncertainty, as recognised by the Wales Audit Office.<sup>4</sup> Nevertheless, as the above paragraphs highlight, universities are very exposed to changes in EU funding

<sup>3</sup> <https://gov.wales/docs/wefo/publications/horizon/180307-horizon-annual-report-2017-en.pdf>

<sup>4</sup> Wales Audit Office, Higher Education Finance, 21 November 2013 (as published in January 2014).

arrangements. The following scenarios briefly explores some illustrative scenarios, although there are of course limitless potential variations on these, and planning remains a matter for individual institutions.

### **Scenario 1 - No replacement of EU funding**

- 2.12. If the EU funding streams are not replaced they will have a major direct impact on the income for universities. This would include a cut in funding of around £94.4m or 6% of total income from ESF, ERDF and collaborative research funding (see above). This could make an already challenging funding position even more difficult to manage. The impact of the reductions will not be felt evenly across the sector, and universities will need to take individual action accordingly to ensure their future sustainability.
- 2.13. Universities currently face a difficult financial period until the Diamond recommendations are fully implemented. The university sector in Wales went into deficit in 2016/17 by £10m, as costs rose and income fell, including a reduction of £10m in public funding despite the welcome reprieve to the Welsh Government's planned cuts to the HE budget for that year.<sup>5</sup> According to the official analysis of HEFCW, universities had already been working for a number of years at a surplus level that is not fully sustainable in the long term once full economic costs are taken into account.
- 2.14. This confirms there is currently no capacity for sustaining activities currently supported by EU funding streams unless replacements are found. If funding is not replaced, activities of the kind that are currently supported by EU funding will simply not take place, and the infrastructure that provides the spring board for future project-based activities would be dismantled.
- 2.15. The withdrawal of funding would have a significant impact on wider university activities. In particular, Universities in Wales have the highest percentage of 'world leading' research in terms of impact such as this of any part of the UK, and it is the type of research that would be at risk should higher education budgets face further pressure.
- 2.16. The financial impact on universities and their activities in itself would in turn would have major consequences for the wider economy and the well-being of future generations in Wales. Welsh universities leverage a large economic impact for Wales, generating £5.0 billion of output in Wales in 2015/16. The £2.7bn of Welsh Gross Value Added (GVA) (equivalent to 4.8% of the Welsh total) universities is more than by the Welsh Government priority sectors of the Creative Industries sectors and Food and Farming combined. For every £100 million increase or decrease in Welsh university expenditure there is a £100 million knock-on increase or decrease in output in other industries in Wales plus a further £33 million in the rest of the UK.<sup>6</sup>
- 2.17. Welsh universities also created almost 50,000 jobs in Wales (3.5% of the Welsh total) in 2015/16. For every 100 direct full time equivalent (FTE) jobs created or cut in universities,

<sup>5</sup> HESA Finances of Higher Education 2016/17 (see [here](#)).

<sup>6</sup> Kelly U., McNicoll I., & Viewforth Consulting Ltd, The Economic Impact of Higher Education in Wales, Jan 2018 ([here](#)).

we would expect to see another 120 UK jobs created or cut outside the universities in other industries, 94 of which were in Wales.<sup>7</sup>

2.18. In addition, the off-campus expenditure of EU students in 2015/16 generated over £110 million of output in the UK (of which £83 million was in Wales) and generated 934 full time equivalent jobs in the UK (692 in Wales). Overall, EU students generated over £51 million of UK GVA (£37 million in Wales).

### **Scenario 2 - Funding available at similar levels.**

2.19. As the main source of capital or innovation funding in Wales at present, it is essential in our view that as a minimum Wales ensures that current levels of investment under the EU funding streams continue to be invested for similar activities in Wales, and that the infrastructure which allows partners to do is maintained. European Structural and Investment Funds (ESIFs) have delivered great benefits for their regions by driving innovation, improving competitiveness, creating direct and indirect jobs, and promoting employment and education opportunities.

2.20. At the same time, we recognise that there are opportunities to review the way the ESIF funding is replaced and used to maximise its benefits and return on investment, as discussed below. We see it very important, however, to secure continued participation in Erasmus+ and European research and innovation programmes, including Horizon 2020.

2.21. To prepare for this scenario, if the funding is not provided by the UK, the Welsh Government may need to prepare to meet any shortfall of funding from loss of access to EU programmes. Further budgetary provision may be required in relation to changes in immigration rules which impact on student or staff mobility.

2.22. We agree with the recommendations of the External Affairs and Additional Legislation Committee<sup>8</sup> that:

Recommendation 10. If no agreement on Horizon 2020 and any successor programmes is reached between the UK Government and the EU, we recommend that the Welsh Government explores ways in which it could provide continued support for Welsh institutions to collaborate with European counterparts after Brexit.

Recommendation 11. We recommend that the Welsh Government explores the potential for a new international student mobility programme after Brexit and reports back to the Committee within six months.

### **Scenario 3 – Increased funding**

2.23. In our view, Wales should take this opportunity to review the scale and scope of its investment in research and innovation, and skills in Wales, and be much more ambitious in its future plans. Overall investment in replacement funds should match the scale of

<sup>7</sup> Kelly U., McNicoll I., Viewforth Consulting Ltd, The Economic Impact of Higher Education in Wales, Jan 2018 ([here](#)).

<sup>8</sup> Wales' future relationship with Europe, Part one: a view from Wales, March 2018. See [here](#).



challenge to be addressed by Wales in the light of global trends and competition. Europe 2020 aims to ensure that investment across Europe increases to an average of 3% of GDP.

- 2.24. Universities in Wales are well placed to increase their activities and build capacity for sustaining activities over the longer-term, acting as a catalyst for further activity and acting as anchor institutions in partnership with wider networks and growth and innovation ecosystems.
- 2.25. As highlighted by a recent Government Office for Science report, the skill levels of a country are directly linked to economic growth, productivity improvement, competitiveness, and innovation.<sup>9</sup> Long-run economic growth is above all determined by knowledge accumulation and technological progress.<sup>10</sup> Estimates typically attribute 20% of the UK's economic growth in recent decades to improved workforce skill levels.<sup>11</sup> Countries with high levels of innovation on average tend to have a stronger track record of investment in higher education.<sup>12</sup> A number of studies also point to the importance of interaction between universities and business for stimulating innovation and economic growth.<sup>13</sup>
- 2.26. The UK government is currently seeking to rise to this challenge and has announced a series of major investments in research and innovation and as part of its industrial strategy. However, Welsh universities currently compete for UK funding opportunities at a disadvantage to their counterparts in England, who benefit from considerable additional support – particularly in the form of HEIF funding. Increased investment in Wales, would also help universities in Wales to lever their fair share of the increases in UK funds for the benefit of Wales.

#### **Scenario 4 – Continued uncertainty**

- 2.27. The uncertainty of future arrangements is an issue in itself. Short-term challenges can usually be managed where there is a clear prospect of future funding. Universities cannot indefinitely maintain the support and infrastructure, however for academic activities and opportunities for businesses and students without a clear prospect of their future sustainability. It will be important to confirm and communicate arrangements which replace EU funding in sufficient time to avoid universities having to make decisions in advance which have an adverse impact on infrastructure and compromise future activities.
- 2.28. In particular, we need to avoid EU students being deterred from applying to Wales even before the UK leaves the EU, because they are uncertain whether they will receive funding for future years of their study if they come to Wales. Similarly, we need to ensure that prospective staff are not deterred from coming to Wales due to uncertainty about future immigration and workforce arrangements. Certainty about arrangements for prospective students and staff is clearly needed as soon as possible.

<sup>9</sup> Government Office for Science, "Future of Skills and Lifelong Learning", 2017.

<sup>10</sup> OECD, "The OECD Innovation Strategy - Getting a head start on tomorrow." 2010.

<sup>11</sup> BIS, "UK Skills and productivity in an international context", December 2015.

<sup>12</sup> Universities UK. "Higher Education in Focus: Driving Economic Growth", 2011.

<sup>13</sup> Lambert, R., Lambert Review of Business-University Collaboration - Final Report, HMSO, 2003.

2.29. We agree with recommendation of the External Affairs and Additional Legislation Committee (Recommendation 6) that the Welsh Government should seek clarity from the UK Government on the timescales for moving to a future immigration system at the earliest opportunity in order to provide businesses and public sector bodies with much needed certainty on the recruitment issues that they may face in the future.<sup>14</sup>

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

- 3.1. It is crucial that funding for infrastructure and capacity-building for research and innovation and regeneration/social cohesion in Wales is maintained or strengthened. Regardless of whether this comes from the EU or UK national budgets, the EU replacement funding should continue to be needs and placed based – in other words which reflects the particular need for investment in Wales on grounds of social cohesion and the need for capacity building, in line with Wales’ own approach to securing the well-being of future generations as a devolved nation.
- 3.2. European Structural and Investment Funds (ESIFs) have delivered great benefits for their regions by driving innovation, improving competitiveness, creating direct and indirect jobs, and promoting employment and education opportunities. However, despite 20 years of ESIF, Wales productivity is lagging most regions of the UK. The replacement of the funding gives us an opportunity to make a significant step-change in approach to deliver the change Wales needs and align it more easily with other approaches and initiatives in Wales and the UK.
- 3.3. In essence, our favoured approach to replacing the EU funding streams is set out in our response to the Welsh Government’s consultation on regional investment in Wales after Brexit.<sup>15</sup> This includes:
- We agree that replacement funds should be managed differently, while preserving some of the strengths of the current funding arrangements. There are lessons to be learned from EU regional policy and universities have vast experience in the pros and cons of the current system.
  - The overarching objective should be to create genuinely transformative economic change in Wales.
  - In our view, focussing on transformative change would include prioritising investment in research and innovation and higher levels skills which have been demonstrated globally as having a transformative effect on economies. Given that 45% of EU Cohesion Funding is currently directed to innovation-related investment, it will be essential to ensure at least a similar proportion of Wales’ future regional investment is used to support innovation, including R&D and university-business collaboration. The skills agenda, addressing specific needs in Wales, is also very important – including for instance the development of apprenticeship programmes at the moment.

<sup>14</sup> Opus cit. See [here](#).

<sup>15</sup> <http://www.uniswales.ac.uk/wp/media/Unis-Wales-response-Regional-investment-in-Wales-after-Brexit.pdf>

- There should be a stronger focus on outcomes rather than inputs, and investments should be prioritised and targeted based on their return on investment for Wales.
- Transformative change is likely to mean taking risks to encourage innovation and attract private sector investment. We should review our processes to ensure the balance is right between risk taking and risk aversion when assessing projects, and that they are equipped for dealing with risks.
- A key strength of current EU funding which we should seek to retain, however, is that the funds are delivered over a longer period than traditional domestic programmes, providing stability and confidence through more informed criteria to secure local funding allocations.
- Strengthening partnerships between universities, government and industry will be crucial to future regional investment in Wales. It is partners within the regions who are likely to be best placed to identify the specific challenges and opportunities in their areas. However, partnership working should not be applied as a blanket approach but approached on its merits in the particular circumstances. Regional frameworks must also be flexible across regions and not create another layer of bureaucracy.
- There is an opportunity to align the objectives of the EU replacement funding more clearly with the Welsh Government's economic approach and well-being of future generations objective at national level. The regional elements of the City and Regional Growth Deals could be embedded more clearly within a more comprehensive nationwide approach, for instance. However, it is vital that UK Government does not consider the City and Growth Deals replacement investment for any shortfall in funding through the loss of structural funding.
- Taking steps to maintain a global outlook and presence will be even more important after Brexit. Wales should seek to sustain and develop new international opportunities. Projecting Wales as a dynamic and outward-looking economy will be crucial. Universities are committed to protecting and growing the sector's export contribution through their international work (including through the Global Wales partnership with British Council, HEFCW and Welsh Government). In 2015-16, Welsh universities generated £544 million of export earnings, equivalent to 4.1% of all Welsh exports. There is great potential to increase this through work with our universities to boost Wales' global profile in key overseas markets.
- Universities should play a key role in these partnerships as their relationships range from local, as anchors in our communities across Wales, to global, as world-class institutions.
- It will be important to ensure that replacement funding is available to leverage funding from other sources, both at a UK level and from global opportunities. The ESIFs have played a significant role in facilitating Welsh universities' ability to leverage private sector funding e.g. EU Framework Programme Funds. Additionally, we note that the Higher Education Innovation Fund (HEIF) has played a crucial role in enabling

universities in England to develop their technology transfer capabilities and is estimated to produce a return of £6.30 for every £1 spent – plus a further £3.36 in additional turnover from student start-ups and spin-offs. In addition to EU replacement funding there is a need for similar support for HE innovation in Wales in line with the Diamond recommendations and Reid Review.

- There are opportunities to reduce administrative barriers and burdens for those supported by future funding and to ensure that unnecessary complexity or bureaucracy does not stifle the creativity that the funding is designed to support. A focus on outputs rather than scrutiny of inputs would help to avoid a focus on detail that can prevent achievement of broader objectives. There is potential scope to reduce audit requirements, perhaps through exploring the options for risk-based auditing and performance-based auditing, and it is likely that a simpler and less burdensome scheme is more likely to be fit for purpose.
- There is also an opportunity to review how costs are met under future schemes in order to encourage and support projects, including greater recognition of full economic costs.
- Finally, the replacement funding scheme for Wales must be flexible enough to adapt to emerging opportunities including, future changes in EU programmes and funding from UK government.

**Universities Wales**  
**May 2018**

## **Annex 1 - Examples of projects, led by UK universities with SF investment**

### **ASTUTE 2020 project**

ASTUTE supports the stimulation of ideas in the Welsh manufacturing sector through provision of resources, facilities, advice and guidance exploiting the wealth of world class research in Welsh universities in close research collaborations with industry. It is a collaboration of four Welsh universities; Swansea University, Cardiff University, Aberystwyth University and the University of Wales Trinity Saint David (UWTSD). In the previous funding round (2010 - 2015), the project supported more than 250 Welsh enterprises in West Wales and the Valleys, supporting them towards long term sustainability and competitiveness, the most evident improvements experienced by companies were improved processes, accelerated research and development, improved growth prospects and new product developments. The final evaluation of ASTUTE concluded that ASTUTE's work created economic impact of well in excess of £200m in West Wales and the Valleys showing that for each £1 invested an outstanding return of over £8 of economic impact was achieved.

### **Cardiff University: Compound Semiconductor Technology Cluster (£13 million)**

The world's first Compound Semiconductor Technology Cluster will be formed in South Wales as a result of work between Welsh Government, Cardiff University and IQE Plc. The institute has benefitted from several large-scale investments including £13 million from European Structural Funds as well as £17.3 million from the UK Research Partnership Investment Fund RPIF and £12 million from the Welsh Government.

### **Swansea University: Science and Innovation Campus (£40 million)**

Swansea University's Science and Innovation campus was developed with extensive EU support. As well as EIB investment, £40 million was received in European Structural Funds. The development was amongst the top five knowledge economy projects in Europe and aims to generate around £3 billion of economic impact over a 10-year period through construction activity, research, and student and business investment.

### **FLEXIS (£24m)**

The FLEXIS project, led by Cardiff University, brings together expertise from across Welsh universities to facilitate an affordable, sustainable, and socially acceptable transition to a low carbon future. The five-year EU-backed project will look to solve a diverse, complex and inter-dependent set of challenges, ranging from energy storage, to decarbonisation and fuel poverty. By 2020, over £20m of additional competitive research income is expected to be secured in Wales as a result of FLEXIS.

### **Bangor University: Knowledge Economy Skills Scholarship (KESS I £33m, KESS II £40m)**

KESS is a major European Convergence programme led by Bangor University on behalf of the HE sector in Wales. Benefiting from European Social Funds, KESS supports collaborative research projects (Research Masters and PhD) with external partners based in the West Wales and the Valleys. It has an integrated higher-level skills training and development programme, leading to a Postgraduate Skills Development Award. The first phase of KESS provided 453 PhD and Masters places (230 PhD / 223 Research Masters) with Welsh organisations, of which 61% were SMEs.

## **Annex 2 – City and Growth Deals in Wales**

### **1. Cardiff Capital Region and Swansea Bay City Deals**

- 1.1. Cardiff City Deal (£1.2bn) - The UK Government announced that it will provide £50m to help develop the compound semiconductor technology of the future as part of the UK Government's City Deal investment. Cardiff university and Cardiff-based compound semiconductor specialist IQE will spearhead the UK national 'catapult'. However, the university's involvement is expected to go much further. The City Deal foresees the potential for investment in other areas in which the university is able to offer expertise, such as software development and cyber security, energy and resources and health and wellbeing. The deal also includes support for the region's infrastructure including the delivery of the South-East Wales Metro and the Valley Lines Electrification programme.
- 1.2. The Swansea Bay City Deal (£1.3bn) - The Internet Coast, the Swansea Bay City Deal, aims to turn the whole of the region into a digital super hub to transform the regional economy, the future of energy and transform the way health and social care will be delivered in future. It aims to create 10,000 new jobs and increase the value of goods and services produced in the region by £1.8bn. There is potential available for the area, and wider Wales, to be lead in new technologies such as wireless 5G connectivity.
- 1.3. Both Swansea University and UWTSD are heavily involved in all 11 Internet Coast projects and sit on the main City Deal Delivery Board alongside local authority and health partners:
  - The Life Science and Well-being Campuses, and Life Science and Well-being Village projects, to support innovative growth of the life science sector
  - The unique ARCH (A Regional Collaboration for Health) project - already established to develop the region into a globally relevant ecosystem for integrated Open Innovation in Life Science and Well-Being
  - The Factory of the Future Initiative Growing Smart Manufacturing practice
  - The Steel Science Centre at Tata's Port Talbot Steel Works
  - Swansea University's SPECIFIC Innovation & Knowledge Centre
  - UWTSD as a dual sector university group is specifically leading on
    - Yr Egin - the new HQ of S4C and the development of a focused major creative cluster enhancing film and TV opportunities through the medium of Welsh
    - Swansea Waterfront Digital District Box Village proposal - creating an innovative location for young businesses at the heart of the waterfront

### **2. Growth Deal for North Wales**

- 2.1. Bangor University is heavily involved in the development of a North Wales Growth Deal, working with the North Wales Economic Ambition Board, its members and partners across the region, which include Wrexham Glyndwr University, the North Wales Business Council, Mersey Dee Alliance, the six North Wales local authorities and Further Education providers, to put together a strong proposal which will drive growth across the region.
- 2.2. Given its considerable strengths in teaching, its research expertise in sectors such as Marine Science, Electronic Engineering including Computer Science and telecoms (5G), Biocomposites and Sustainable Energy, and its strong collaborative links to Ireland, Bangor University is a catalyst to ensure that investment under the Growth Deal delivers real growth in GVA not just in the north west but along the entire north Wales region.

- 2.3. The north Wales economy is closely connected to the major developments planned in the Northern Powerhouse, and Bangor University's involvement will assist the region in leveraging the benefits of that investment. Post Brexit, the opportunities to capitalise on the region's connectivity with Ireland will also be key, and the university also has a substantial amount of expertise which will assist the region in that respect.
- 2.4. Bangor University's expertise in developing high-level skills, R&D, Knowledge Transfer, Innovation and Commercialisation will be central to the success of the Growth Deal in North Wales. Bangor University is also ensuring that valuable research and knowledge assets created by HEIs are translated into real economic gains: high value jobs, increased exports and successful growth patterns by North Wales firms in priority sectors such as Energy, Environment and Advanced Manufacturing.
- 2.5. The effect of the North Wales Growth Deal will be to create real growth and momentum in high value business sectors. The University's expertise and involvement in the energy sector is a good example of how Bangor University will be a focus for innovation and development in this area. It is heavily engaged in a number of low carbon energy projects in the region, including the estimated £12bn investment in the new BWR nuclear reactor at nearby Wylfa, as well as a new biomass power station, a number projects involving marine renewable energy and a number of other projects.
- 2.6. The newly completed £20m ERDF/Welsh Government funded Menai Science Parc (MSPARC) will be a key asset in terms of realising economic benefits as outlined above, along with planned developments of a Science and Technology Quarter on the Bangor Campus. Aligned with rapid prototyping / design capabilities in the £51m Pontio Arts and Innovation Centre there will be a pipeline established for generation of new products processes and services, from research laboratory through preincubation stages to establishment of new ventures at MSPARC or elsewhere.

### **3. Growth deal approach for Mid Wales**

- 3.1. It is important to recognise that the above city and regional growth deals do not provide coverage of the entirety of Wales. Universities Wales would like to highlight successful regional partnerships for consideration in any future regional growth deals. There is scope to invest in ways which would connect these forms of Welsh infrastructure more effectively with institutions across the UK and internationally:
- 3.2. SPECIFIC, an academic and industrial consortium led by Swansea University with Cardiff University, BASF, Tata Steel, and NSG Pilkington as strategic partners. SPECIFIC develops functional coated steel and glass products that transforms the roofs and walls of buildings into surfaces that will generate, store and release energy.
- 3.3. ASTUTE 2020, which is designed to stimulate growth in West Wales & the Valleys by applying advanced engineering technologies to manufacturing challenges, driving cutting-edge research, development, and innovation. At the core of ASTUTE 2020 are four Welsh HEIs, Swansea University, Cardiff University, Aberystwyth University, and the University of Wales Trinity Saint David.



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Date: 11<sup>th</sup> May 2018

Dear Sir/Madam

**National Assembly for Wales – Finance Committee – Inquiry into preparations for replacing EU funding for Wales – Consultation**

NFU Cymru is pleased to be able to make a submission to the Finance Committee's enquiry into preparations for replacing EU funding for Wales after Brexit. NFU Cymru considers EU funding to have been crucial for the agricultural sector, and in turn the wider rural economy. It therefore follows that whatever support is put in place to replace the lost EU funding after Brexit, will also be a key determinant of whether or not Wales will have the productive, profitable, and progressive farming sector, and thriving rural economy that we would all like to see.

Direct payments to farmers under the CAP are particularly important to Wales' farmers, and in 2014-15 they accounted for an average of 81% of net farm income across all Welsh farm types. Wales is therefore particularly exposed to any changes to the level of support paid to farmers. We also know from work undertaken by Development Economics that every £1 invested in farm support, farming delivers £7.40 back to the economy, so there is a strong multiplier effect linked to support to farmers.

During the course of the EU referendum campaign there were of a number of statements made by prominent advocates of leave which gave rise to a reasonable expectation of funding for Wales continuing on a similar basis to that which we currently enjoy. We also know that post Brexit, EU farmers will continue to receive and enjoy support under the CAP.

The Conservative Party manifesto for the 2017 General Election committed to guarantee the current level of financial support for farmers until 2022. Whilst this has assuaged some concerns around funding, it still leaves unresolved at least two issues of critical importance to Welsh farmers.

Foremost amongst these concerns is a desire to preserve the current historic relative allocations amongst the home nations of the UK's CAP receipt from the EU. Under current arrangements Wales receives 8.96% of the UK's Pillar 1 allocation, and 13.7% of the UK's Pillar 2 allocation. This translates to a weighted average of 9.4% across Pillar 1 and Pillar 2 payments coming to Wales, despite Wales being just 4.7% of the



UK population. The fact that Wales over-indexes in terms of CAP support is reflective of the type of agriculture which is most prevalent here and the relative importance of the sector to the economy.

Were Wales' future allocation of Treasury funding for agriculture subject to a population share based allocation, this would imply a reduction in funding of 50% from £371m to £185m. Wales' farmers need urgent clarification from Defra and the UK Treasury that future funding for Welsh agriculture will continue to be allocated on the basis of Wales historic relative share, and will not be rebased according to a population share calculation.

NFU Cymru fully appreciates that the issue of how allocations will be made amongst the home nations, to replace lost EU funding is not something that within the control of the Welsh Government or the National Assembly for Wales, but we urge them to continue to maintain the pressure on the UK Government to bring forward a prompt and satisfactory resolution to this issue.

As a Union, NFU Cymru has utilised every opportunity that has presented itself to raise this issue with the UK Government, most recently via the Defra Health and Harmony consultation, and will continue to do so going forward.

The second critical issue concerns the hypothecation of funding. It is NFU Cymru position that we would want to see future funding passed directly to Welsh Government, and ring-fenced for the purposes of agriculture and rural development. This would avert the potential scope for such funds to be appropriated for any other purpose, and would also help ensure that there are not distortions of the UK's internal market were it the case that differing levels of support funds percolated down to farmers in each of the home nations, on account of differing expenditure priorities amongst the devolved administrations.

I trust that you will find these comments useful as part of your inquiry into replacing EU funding for Wales.

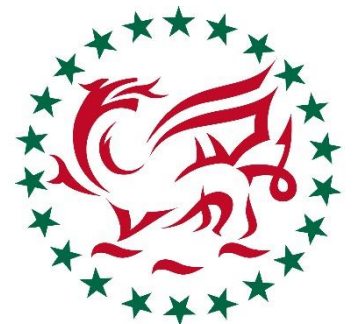
Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Thomas', is written over a faint, circular official stamp.

Political Adviser  
NFU Cymru

# National Assembly for Wales' Finance Committee Inquiry into preparations for replacing EU funding in Wales

May 2018



CLILC • WLGA

## **INTRODUCTION**

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. We welcome the opportunity to respond to the National Assembly for Wales' Finance Committee Inquiry into Preparations for replacing EU funding in Wales.
4. The Welsh Local Government Association is proactively engaging and communicating regularly with its members on Brexit-related issues, including replacement EU funding and implications for regional & rural policy. Our response takes into account the collective views of local government across Wales, as individual Local Authorities in some cases, and as part of wider Regional Partnerships in others.
5. We look forward to continuing our engagement as the developments on this key policy area continues to evolve.

## **Key Messages**

6. Local Government has been a key partner in delivering EU Funding in Wales over several programming periods. Local Government plays a key role both in the delivery of EU funded activity within localities and regions through the direct delivery of capital and revenue schemes supporting improvements to places and supporting people back into employment. Local Authorities also play a strategic role in the delivery of the programmes locally through the management and co-ordination of the funds at a local level, as Lead Beneficiaries or Lead Bodies – taking responsibility for the local management of risk and expenditure, to reduce the administrative burden to third parties to facilitate access to the programmes by local stakeholders and groups.
7. Local Government also plays a central role in the evolving regionally-focused models of economic development, and supporting the strategic co-ordination of the delivery of EU

funding in the 2014-20 period aligned with regional partnership structures through the Regional Engagement Teams<sup>1</sup>.

8. All delivery is local. It is only through a combination of efforts from partners across Welsh regions, across all sectors and all levels of Government, planned and co-designed in partnership – that successful economic outcomes can be achieved.
9. **A key priority for Wales is to understand the rules of engagement for accessing any replacement funding after Brexit.** The Welsh Local Government Association is in full support of the Welsh Government's lobbying of the UK Government to fully respect the devolution of economic development policy and funding, and to ensure full replacement funding for Wales. However, there is currently little to no certainty on the shape and possible governance of any future funding. This has implications on the governance and policy frameworks that we have in Wales in our ability to access UK-level funding to compete alongside structures in England and the other devolved nations, in competition.
10. The Welsh Local Government Association recently responded to the Welsh Government's consultation titled "Regional Investment in Wales After Brexit". This response builds on some of the key issues outlined in that consultation response, for reference, the WLGA's response can be found on our website<sup>2</sup>.

## **Financial planning for replacement EU funding streams in Wales**

11. In considering the response to this consultation, it is important to first recognise the breadth of support currently available through EU funds, and what we would constitute as "EU funding" that is currently administered at a Welsh level, that we will lose access to upon our departure from the EU:
  - European Structural Funds (ERDF/ESF)
  - Rural Development Programme (EAFRD) & CAP Pillar 1 support
  - Ireland Wales Cross Border Programme (ETC; jointly with Ireland)
12. Additionally, it is important to consider the wider European funds (e.g. Horizon 2020, Erasmus, other Territorial Co-Operation Programmes – Atlantic Area & North West Europe etc) that are managed on the European level, that we may, or may not retain access to

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<sup>1</sup> <https://gov.wales/funding/eu-funds/2014-2020/applying/?lang=en>

<sup>2</sup> <http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=1530>

post Brexit. Although the UK Government recently reaffirmed<sup>3</sup> its recognition of the importance of continued access to some of these programmes, the whole question of continued access to these remains tied up with negotiations on the final Brexit deal.

13. There is currently a great deal of uncertainty as to the availability of future replacement EU funding in Wales. Whilst there have been initial announcements at the UK level of the development of a UK Shared Prosperity Fund, and on post-Brexit agricultural support, there has been no further substantive detail on the shape, coverage or availability of funding streams that would constitute “replacement EU funding”.
14. Ostensibly therefore, in terms of those Structural and Rural funds we will lose access to; we could be looking at three potential scenarios for the governance/management of replacement EU funding from funds managed at the UK level, to funds devolved to Wales, or no replacement funding at all. To complicate further, we could have a mix of these governance scenarios across a range of policy areas.
15. We are aware of, and in full support of the Welsh Government’s lobbying of the UK Government to fully respect the devolution settlement in regard to economic development and agriculture and rural development policy and funding, and to ensure full replacement funding to Wales.
16. However, we are unclear as to the extent of planning in Wales in anticipation of a potential non- devolved funding scenario. It should be a key priority for the Welsh Government and its partners to understand the rules of engagement for accessing any replacement funding post Brexit. This needs to fully consider how Welsh stakeholders accesses and interacts with any UK-led policy approaches, and considering how our emerging Regional Economic Development partnerships and approaches are “fit for purpose” to compete alongside Local Enterprise Partnerships and Combined Authorities in England.
17. Additionally, we are currently uncertain of the implications of any Brexit deal (or no deal) for our economy at a Macro (UK level), and the resulting influences on Wales and its regional economies. Whilst discussions on the future of our relationship with the EU develop, there could be a range of different scenarios which could potentially have an influence on the shape and nature of the economy at various levels.

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<sup>3</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/699106/UK\\_position\\_paper\\_on\\_future\\_of\\_cohesion\\_policy\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/699106/UK_position_paper_on_future_of_cohesion_policy_.pdf)

18. It is critical therefore that there is a strong, committed and proactive effort by the Welsh Government in partnership with its Welsh stakeholders to identify, map and plan these potential implications – so that resulting policy responses are cohesive, joined-up and fit for purpose – responsive to the funding landscape post-Brexit.

## **Administrative Approaches for replacement EU funding streams in Wales**

19. In terms of both Structural and Rural funding in Wales, these have been managed at the national level by the Welsh Government for several programming periods, in line with its devolved competencies.
20. This ensured that Wales, and Welsh stakeholders had a voice in the design and delivery of the funding streams that impact on their localities – by default through the European principles of partnership and subsidiarity.
21. Should funding not be devolved to a Welsh level (UK managed), there would be immediate and significant changes to how Welsh stakeholders have traditionally engaged and accessed what was historically “EU funding”.
22. If funding remained at a UK level, it is perhaps less of a question of administration at a Welsh level, but rather a question of strategic co-ordination and support for Welsh stakeholders to be able to access these funds, and that relevant supporting structures (e.g. regional partnerships) are fit for purpose to enable access, and to compete on an “even keel” with other UK areas for funding.
23. Assuming that funding would be devolved to Wales, there would be a number of considerations for the future administration of funding to ensure that the design of the programmes take full account of the evolving governance and policy landscape driving economic development in Wales (principally, the evolving regional models of economic development through City & Growth Deals).
24. The case for continued funding: We are fully supportive of the Welsh Government’s efforts to ensure that Wales does not lose out financially as a result of the decision to leave the European Union.
25. EU Regional Policy exists to improve the economic wellbeing of regions and the policy framework at a European level is positively biased towards higher funding levels to those regions with lower comparative levels of economic performance. In Wales, this has

ensured that we have traditionally qualified for the highest levels of funding support available. Recognising the scale of the challenge in responding to the particular needs and opportunities of those areas lagging behind; to help people in those areas to get to where there are jobs or to develop local options for employment, including infrastructure to improve access to and movement within the areas identified.

26. EU Rural Policy has also ensured that funding has been available to support interventions to address the social, economic and environmental challenges that rural areas face. EAFRD funding has ensured the development of a separate Rural Development Plan for Wales, tailored to the specific needs, challenges and opportunities of rural areas in Wales.
27. Programming approach: Whilst Brexit does provide an opportunity to do things better e.g. the removal of artificial programme boundaries enables the development of interventions that reflect functional economic areas, the removal of thematic concentration and the opportunity to develop or own rules and regulations enables a more streamlined and integrated approach to be developed. There are also many attributes that we would like to see retained, such as the planning certainty that having multi-annual programmes provided, as well as the partnership and subsidiarity principle that was applied in the planning and delivery of the programmes.
28. Partners have traditionally had to bid into separate capital and revenue funding streams, in competition, each programme with its own programme management arrangements, investment criteria and differing administrative requirements. This has inevitably led to investments coming forward in silos, lacking the integration and strategic fit necessary to have a meaningful impact on the region's economy.
29. We wish to see Wales take full advantage of this through the development of a Single Fund, combining capital and revenue, and much more streamlined and simplified processes for accessing and delivering funding.
30. Regionally-focussed model of economic development – taking a whole economy approach: Wales is a region of contrasting opportunities and needs. This contrast between our localities goes far beyond traditional categorisations of "rural" and "urban" or compartmentalising the economy into traditional economic sectors.
31. Continued austerity affecting our public sector institutions and the potential implications of Brexit will impact our localities in different ways. This will require tailored responses

to the differing challenges and opportunities that are sensitive to the market failure of those specific localities - and here lies the strength of the regional approach. Identifying the specific needs and opportunities of each region's localities, delivered locally as part of a broader collaborative regional strategy within an overall national policy framework. As an example, the business case to bring forward a sites & premises development in Wrexham will differ from sites in say Gwynedd or Anglesey. However, all investments align to national policy objectives (enabling provision of modern sites & premises to allow business to grow as well as attract investment opportunities); are regionally identified and prioritised in collaboration as a key driver in stimulating business growth by responding to demand; but are delivered locally – sensitive to the economic and social characteristics of the locality to deliver fit for purpose and sustainable investments.

32. Strengthened regional co-ordination does not translate into an elevated delivery model, nor does it mean an additional layer of governance - but rather a blend of devolution and new approaches to delivering regional priorities and opportunities within an overarching national policy framework through local delivery.
33. Local partnerships and stakeholders have a crucial role in identifying the differences in both need and opportunity, sensitive to the complexities of place and localities across the region. There are a multitude of delivery structures and partnerships that have been developed to support the delivery of European Structural and Rural programmes – specifically responding to the particular needs of specific geographies or population groups (e.g. LEADER groups through the Rural Development Programme or specific networks/delivery models targeting people further away from the labour market). In this regard, an additional point should be made in regard to the role that the LEADER has played in enabling the trial of innovative concepts/proposals at risk. This has enabled a number of trialling/pilot projects to come forward that have since gone on to mainstream or other funding sources.

## **Conclusion**

34. Investing in future regional policy is essential if Welsh regions are to catch-up and compete at a UK-level let alone at a European or international level post Brexit. Funding levels should match the scale and ambition of regionally-prioritised interventions to ensure that the right amount of investment addresses the appropriate interventions. As such, it is essential that future regional & rural policy maps to the emerging regionally-focussed economic development model, taking a “whole economy approach” to ensure we are investing in the right priorities in the right areas, through the most appropriate



delivery models/partners - complementing and integrating other funding domestic funding streams and major developments to achieve inclusive growth. It is critical that economic planning and investment must be co-designed and mutually agreed by both regional bodies and national government, with the realities of how regional economies actually work in mind; otherwise the potential of Welsh-administered replacement EU funding, or accessing UK-led Local Industrial Strategies will never be fully realised.

**For further information please contact:**

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

### **Response from NHS Wales Directors of Finance**

This response has been prepared on behalf of NHS Wales Directors of Finance who welcome the opportunity to provide evidence on the impact of withdrawal of funding received from the EU. This response only reflects the impact upon the NHS in Wales.

There is little or no EU funding received into Welsh Government directly for Health.

Therefore there would be a minimal direct impact upon the funding of NHS Wales.

Reduction of EU funding to sectors other than Health may however put further pressure on other Welsh Government budgets which may in turn impact on the Health budget allocation.

There could however be an adverse impact upon the NHS as consequence of WG EU funding withdrawal from Local Authorities where that has a direct impact upon services provided by NHS staff. This includes schemes that are commissioned by local authorities and provided by Welsh NHS organisations such as Surestart, Flying Start and Families First. The funding for these initiatives could cease with the resultant impact upon service provision.

Between 2007 and 2013 the UK contributed 5.4 billion Euros into EU research and development (Office for National Statistics 2015) but also received 8.8 billion Euros for research, development and innovations activity (European Commission). There is therefore a financial risk on this part of R&D funding streams. It is however difficult to quantify the impact of this. It would be helpful if the UK contribution was re-routed internally to maintain current levels of research and development.

Whilst not directly related to EU funding, Brexit could lead to increased costs of goods and services for which NHS Wales spends circa £1bn. Whilst negotiations are still ongoing over trade agreements, any changes to the current European Union procurement regulations and any restrictions to the single market would impact upon the price of goods and services. Notwithstanding these ongoing negotiations, Brexit could lead to increased prices due to other macroeconomic pressures such as increased inflation and changes to the exchange rates.

Furthermore the EU's policy on freedom of movement and mutual recognition of professional qualifications within the EU has resulted in many health professionals working in the UK having come from other EU Countries. A potential loss of recruitment and retention where the NHS is already struggling to recruit and retain permanent staff could result in additional pressures on services and premium cost temporary workers.

The wider overall uncertainty over withdrawal from the EU will have a much bigger impact upon the NHS in Wales than specific EU funding streams. Whilst the impact on the UK Economy of the departure from the EU is unknown, there is a risk however of some

economic instability leading to a decline in the value of sterling and inflationary increases. This together with the overall impact of the Brexit deal could potentially lead to pressures on a UK economy which in turn could result in the need to curtail public sector spending. This is the biggest risk facing NHS Wales. The potential impact of this however is well rehearsed at a national level.

In conclusion, it is not anticipated that there will be a direct impact of EU funding withdrawal on the NHS. The financial impact is anticipated to be indirect, increasing pressure on NHS resource through reduction in total available Welsh Government funding, partnership funding with Local Authorities and inflationary and staffing pressures.



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11 May 2018

Ref: CR/

Dear Mr Thomas,

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

On behalf of Cardiff University, please find below a response to the [inquiry](#) by the Finance Committee into preparations for replacing EU funding for Wales.

Cardiff University is an ambitious and innovative university with a bold and strategic vision located in a beautiful and thriving capital city. Our world-leading research was ranked 5th amongst UK universities in the 2014 Research Excellence Framework for quality and 2nd for impact. We provide an educationally outstanding experience for our students. Driven by creativity and curiosity, we strive to fulfil our social, cultural and economic obligations to Cardiff, Wales, and the world.

Our ambition is to be among the top 100 universities in the world and top 20 in the UK. Our [new strategy](#) sets out our strategic direction and focus on research, innovation, education and students, international and civic mission.

We have 31,595 students enrolled, representing over 130 countries, including from the EU. We have a world-leading research community with a strong and broad research base; our research contract awards have a total value of over £530m. We have won seven Queen's Anniversary Prizes and our researchers include two Nobel Prize winners.

Over the last few months, colleagues and I have read with interest the Welsh Government's Brexit papers on trade policy and regional investment. I welcome the Welsh Government proactive engagement with some of the major challenges facing our economy in light of the decision to leave the European Union.



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## Overview

Support for higher education will be crucial if Wales and the UK are to make a success of Brexit. By securing an effective post-Brexit settlement, universities can continue to make a vital contribution to a successful, dynamic and internationally competitive country and continue to attract international talent.

Cardiff University is a key driver of economic and social prosperity in Wales. We are a global, outward-looking university with links to more than 100 countries, and we have a strong sense of civic mission. A 2016 report by London Economics<sup>1</sup> found that Cardiff University contributes nearly £3bn to the UK economy, with the University's contribution to the Welsh economy approximately £2.2bn in 2014-15. Generating £6.36 for every £1 it spends, Cardiff is positioned as a top five university within the 2014 Research Excellence Framework; our research tackles challenges of global significance while our students receive a student experience that is ranked among the best in the UK.

Whilst we welcome the progress that has been made to date by the UK Government on the transition deal, there is much which has yet to be negotiated. Those negotiations will be complex and there is a strong possibility that any agreement on Horizon 2020 and Erasmus+ will remain dependent on other matters being satisfactorily concluded as part of a package, which could delay matters such that we once more find ourselves under time pressure ahead of the effective full withdrawal from 2021. The university sector really needs to have such matters resolved a good 18 months ahead of time – in other words by mid-2019 at the latest – if we are not to be faced with another cliff-edge or at least a gap between the end of Horizon 2020 and Erasmus+ and their successor programmes. Bridging such a gap would be difficult and sub-optimal, and it could mean that we would find it difficult to engage with the successor programmes adequately when we do have access. On top of that are the related matters such as clinical trials and the data protection framework which could have a material effect on research. There is good will on both sides to address and resolve all these questions, and it does look now as if we should have sufficient time to do so, but much depends on the big issues being resolved during the course of the next six months or so.

The response below covers the following areas:

- 1) External Affairs Committee inquiry recommendations
- 2) Urgent clarification on replacement of European Structural and Investment Fund (ESIF)
- 3) Research funding, collaboration and networks
- 4) Status of EU students and staff
- 5) Erasmus+ and Student mobility
- 6) Cardiff City Region Deals

## External Affairs Committee inquiry recommendations

We note the recent report<sup>2</sup> of the External Affairs Committee into Wales' future relationship with the EU, and we strongly welcome the following findings:

- **Recommendation 6.** We recommend that the Welsh Government seeks clarity from the UK Government on the timescales for moving to a future immigration system at the earliest opportunity in order to provide businesses and public sector bodies with much needed certainty on the recruitment issues that they may face in the future.
- **Recommendation 10.** If no agreement on Horizon 2020 and any successor programmes is reached between the UK Government and the EU, we recommend

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<sup>1</sup> London Economics (2016) [The economic and social impact of Cardiff University: 2014-15 update](#), London: London Economics.

<sup>2</sup> National Assembly for Wales: External Affairs and Additional Legislation Committee (2018) [Wales' Future Relationship with Europe: part one - a view from Wales](#), Cardiff: National Assembly for Wales.

that the Welsh Government explores ways in which it could provide continued support for Welsh institutions to collaborate with European counterparts after Brexit.

- **Recommendation 11.** We recommend that the Welsh Government explores the potential for a new international student mobility programme after Brexit, and reports back to the Committee within six months.
- **Recommendation 12.** We recommend that the Welsh Government maps all existing EU networks, across all sectors, in which Welsh organisations play a role. The results of this mapping exercise should be published by June 2018.
- **Recommendation 13.** Following publication of the results of this mapping exercise, the Welsh Government should consult with stakeholders on the importance of these different networks, their benefits to Wales and which networks should be prioritised for access after Brexit. The consultation should be concluded by autumn 2018.
- **Recommendation 14.** We recommend that, based on the results of the consultation, the Welsh Government should set out plans for investing in Welsh participation in these networks, and consider the funding opportunities and implications for Welsh civil society to continue to collaborate with partners in key networks
- **Recommendation 17.** We recommend that the Welsh Government explores the opportunities for both governmental and non-governmental organisations in Wales to effectively engage with the EU and its institutions after Brexit.

We strongly urge the Finance Committee to consider endorsing and amplifying these recommendations as part of your own inquiry.

### **Urgent clarification on replacement of European Structural and Investment Fund (ESIF)**

Wales receives almost **£2 billion in regional policy funding** which is used to support economic development in some of our poorest areas. The vote to for the UK to leave the European Union has left uncertainty over future programmes that involve EU funding.

Universities in Wales receive a significant amount of funding from European Structural Funds<sup>3</sup>, and this continues to provide vital investment and funding for projects and infrastructure that contribute towards economic and social growth in Wales. European Structural and Investment Funds have also played an important role in both innovation funding in Wales<sup>4</sup>, and private investment in research and development. High quality research and innovation are the bedrocks of a growth economy, and have knock-on benefits for all communities across Wales.

Urgent clarification is sought about how these funds will be sustained or replaced at a devolved level following the UK's withdrawal from the EU so that Welsh universities can continue to deliver the maximum economic and social impact in communities across Wales.

Should the UK look to establish a new regional development fund, such as the UK Shared Prosperity Fund in place of ESIF, it is imperative it allocates funding appropriately and on a similar needs-based system if it is to help rebalance the economy.

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<sup>3</sup> Around £240 million awarded to date to Welsh universities for the period 2014-2020, according to the Welsh Government [list of Approved Projects 2014-2020](#).

<sup>4</sup> A key driver of innovation activity in England is the Higher Education Innovation Fund and, similarly, in Scotland the University Innovation Fund. There is no equivalent fund in Wales. £160m innovation funding is currently provided in England with a recent additional increase of £160m funding for knowledge exchange.

### **Research funding, collaboration and networks**

Security is sought over the UK's continued access to and influence over Horizon 2020 and future EU research and innovation programmes focused on excellence, including FP9. Should such access prove to be impossible, a replacement scheme that will support collaborative international research must be secured.

Cardiff University believes that the overall level of spending on research and development needs to be maintained at least at current levels to preserve the capacity of UK science and research, and to maintain the UK's position as a world leader in this field. Research and innovation are global pursuits, reliant on ideas and people that are mobile across borders. It is not only the funds provided by the EU but also the networks and facilities made available to researchers. Continued collaboration in international networks is paramount if the UK is to maintain its standing as a leader in science and technology, and drive forward a culture of innovation.

If the UK Government secures continued access to Horizon 2020 and future EU research and innovation programmes such as the 9<sup>th</sup> Framework Programme (FP9), it will be important to ensure that we can continue to exert influence on the research programme and funding mechanisms.

If the UK Government cannot secure continued access, the government should make provision through uplift to the national science and research budget equivalent to the amount secured from Horizon 2020, recognising the UK as an existing net beneficiary from EU research programmes. The Government should consider building on existing mechanisms, such as the targeted Global Challenges Research Fund and the Newton Fund.

In the event that the UK no longer participates in European research funding mechanisms post-Brexit, the Government should ask UK Research and Innovation (UKRI) to propose alternative mechanisms such as an International Research Council in partnership with other leading countries with a substantial advanced science base.

If sufficient access to funding cannot be negotiated, or alternative long-term funding cannot be found, then we will lose not only a major and irreplaceable funding stream, but the equally important opportunities to engage in international research collaboration. Such collaboration is critical to excellent science and any reduction could cause lasting harm to the UK research effort.

The total value of future research income to Cardiff University from live FP7 and Horizon 2020 projects awarded up to 30 April 2017 amounts to £26.9m, with further applications to Horizon 2020 in the pipeline to the value of £18m. ERDF projects are worth an additional £39m with a further £7.5m of projects pending contract. An estimated further £10m of grant funding is currently in early stages of business planning. One significant recipient of this funding is the Cardiff University Brain Research Imaging Centre. Our other EU-led collaborative initiatives are supporting our researchers in upwards of 80 Horizon 2020 projects. Together with our remaining FP7 projects, these cover topics ranging from developing the next generation of renewable energy connectivity through to research into diabetes.

### **Status of EU students and staff**

It is important to keep EU student numbers high in Wales, not just for universities in Wales, where they make up 4 per cent of all students, but also because they bring

diversity to our student body and support the local economy. A recent Universities Wales report<sup>5</sup> found:

- The off-campus expenditure of students from the rest of the EU generated over £110 million of output in the UK (of which £83 million was in Wales).
- 934 full time equivalent jobs were generated in the UK (692 in Wales).
- EU students generated over £51 million of UK GVA (£37 million in Wales).

At Cardiff University, 16% of our academic staff and 5% of our students are EU nationals (10% of our research students are EU nationals). Our international students contributed £217m to the economy in 2014/15<sup>6</sup>. They are a long-term asset to cultural and trading partnerships of the UK. Many members of the public do not see students as migrants<sup>7</sup>, and a policy of cutting international students to reduce net migration does not therefore address concern about immigration.

Cardiff University are concerned that, **without mitigating action such as an EU scholarship or bursary, the worst-case scenario could see Wales lose 80-90 per cent of its current EU undergraduate students.**

We note the First Minister's recent announcement<sup>8</sup> of a £50m EU Transition Fund to provide a "*combination of financial support and loan funding, and will support the provision of technical, commercial, export-related and sectoral-specific advice for businesses*". In addition, the fund will be designed to help "*employers retain and continue to attract EU nationals, who make a crucial contribution to Wales*". We believe there is a strong case for Welsh Government to provide dedicated support the form of bursaries or scholarships for undergraduate, postgraduate and research students from the EU post-Brexit.

- In the case of **undergraduates post-Brexit**, EU students stand to lose access to the student loan company and face a sharp rise in fees as they will be classified as international students. Currently, around 90 per cent of EU undergraduate students applying to study at a Welsh university are eligible for a loan. In addition, under the Diamond package being introduced for entry in 2018/19, EU students are no longer eligible for a tuition fee grant to mitigate the cost of their fees (this is worth £4,954 to continuing students), and nor are they eligible for the means-tested maintenance grants available to Welsh domiciled students. As a result they will have to pay the full £9,000 fee for the first time in 2018/19 although they will continue to be eligible for a loan through the Student Loan Company to cover their fees while the UK remains in the EU.

Undergraduate applications by EU students to Welsh universities have started to fall after reaching a high of 8,000 in 2016. For entry in 2017, 7,580 students from the EU applied to study at a Welsh University. This was a drop of 420 students or 5.3% on 2016. This contrasts with figures for the UK where a dip in applications for entry in 2017 appears to have been followed by a

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<sup>5</sup> Universities Wales (2018) [The Economic Impact of Higher Education in Wales](#), Cardiff: Universities Wales.

<sup>6</sup> London Economics (2016) [The economic and social impact of Cardiff University: 2014-15 update](#), London: London Economics.

<sup>7</sup> ComRes (2017) [UUK poll on British public's perceptions of international students](#), London: ComRes.

<sup>8</sup> Welsh Government (2018) [£50m fund to help prepare Wales for Brexit](#), Wales: Welsh Government



recovery in 2018.<sup>9</sup> For entry in 2017 the number of EU students applying to UK universities fell by 7 per cent, the first drop in almost a decade.

Scotland has already extended its pledge of free university tuition for EU students to the 2019-20 cohort. The move was announced on the 1 February. Scotland was able to do this as it has its own arrangements, separate from the Students Loans Company that covers England, NI and Wales.<sup>10</sup>

- In the case of **postgraduates post-Brexit**, this is an area also undergoing change as a result of the Diamond measures. By 2019/20, the full Diamond package will have been introduced. Postgraduate students normally resident in Wales will be eligible for a £1,000 grant and then up to £17,000 in either a grant or a loan - depending on means testing. Full details are not yet available, but it is supposed to be the same as for UG, ie. £9K (notional fee) loan + £1K grant + £8K (notional maintenance) loan/grant. It is not yet clear whether EU students would be eligible for the notional maintenance grants. UG students do not get maintenance grants but it is more difficult for those PGT students who have been living in Wales/UK for three years.

The arrangements will be administered by Student Finance Wales on behalf of the SLC. Post-Brexit, EU students will lose access to the SLC meaning that they will have to find all their living costs and their fees without any of the support they currently have from the Welsh Government.

### Erasmus+ and Student mobility

Early assurance is needed on the continued access to Erasmus+, but if this should prove impossible or undesirable, a replacement Welsh or UK scheme that will allow our students to study, work and volunteer abroad must be secured.

In 2015/16, 18% of the University's home undergraduate students at Cardiff were internationally mobile<sup>11</sup>. Many of these participated in the Erasmus+ programme, supporting the enhancement of students' personal development, inter-cultural understanding and linguistic abilities, as well many of the transferable skills sought by employers.

We believe that Brexit offers an opportunity to create a new international outward mobility programme that could replicate and perhaps improve upon the most successful elements of the Erasmus+. This would allow universities to continue valuable collaboration with EU partners and support compulsory periods abroad for modern language students, in addition to supporting wider internationalisation of education in Wales and the UK.

### Cardiff City Region Deals

Assurances from both UK and Welsh Governments are needed on the EU funding component of the Cardiff City Deal, specifically the allocation of £106m of funding for the development of the Cardiff Capital Region Metro from the European Regional Development Fund.

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<sup>9</sup> Busby, E. (2018) "[Number of EU students applying to UK universities surges despite Brexit fears](#)", *Independent*, 5<sup>th</sup> February 2018.

<sup>10</sup> Grove, J. (2018) "[Scotland confirms free tuition for EU students in 2019-20](#)", *Times Higher Education*, 1<sup>st</sup> February 2018.

<sup>11</sup> Internationally mobile are defined as home students who have studied, worked or volunteered abroad for at least a month during their time at Cardiff.

Cardiff University is involved in the Cardiff Capital Region City Deal, a £1.2bn agreement by UK Government, Welsh Government and the 10 local authorities of south-east Wales. It seeks to improve productivity and drive innovation. It expects to create 25,000 jobs throughout the region and attract £4bn worth of private sector investment.

We welcomed the joint commitment by the Secretary of State for Wales and the Cardiff Capital Region City Deal Joint Cabinet to ensure the programme for the region is successfully delivered and in full. UK Government has already announced a £50m investment to help develop the compound semiconductor (CS) technology of the future as part of the UK Government's City Deal investment. The University and Cardiff-based CS specialist IQE will spearhead the UK national 'catapult'. The 10 councils have recently agreed a £38m investment in a new state-of-the-art foundry for CS technologies, further supporting the development of a CS cluster in Wales.

The University's involvement is expected to go much further. The City Deal foresees the potential for investment in other areas in which the University is able to offer expertise, such as software development and cyber security, public service innovation, energy and resources, the creative sector, health and wellbeing, and the development of Cardiff Capital Region.

We are, therefore, seeking assurances from both UK and Welsh Governments on the status of the EU funding component of the City Deal, specifically the ERDF funding in pipeline projects, which includes approved funding for compound semiconductor investment and business support, and the allocation of the agreed £106m for the development of the Cardiff Capital Region Metro from the ERDF.

### **Conclusion**

Cardiff University is committed to working with partners to navigate the best course for Wales and the rest of country as the United Kingdom exits the European Union.

Though the UK's exit from the EU will bring challenges, we are committed to seeking opportunities in the new world context. We want to continue to form productive collaborations across Europe and across the world.

I look forward to seeing the Committee's final report, and would be more than happy to contribute towards any discussions you may have on the points raised above. If you require any further information, please do not hesitate to contact me.

Yours sincerely,



Professor Colin Riordan  
Vice-Chancellor



## INQUIRY INTO PREPARATIONS FOR REPLACING EU FUNDING FOR WALES

The three National Park Authorities of Wales work in partnership as National Parks Wales (NPW) promoting the purposes and interests of the three National Parks, Brecon Beacons, Pembrokeshire Coast and Snowdonia.

The Environment Act 1995 sets out two statutory purposes for the National Parks:

- To conserve and enhance the natural beauty, wildlife and cultural heritage;
- To promote opportunities for the understanding and enjoyment of the special qualities of National Parks by the Public

When National Parks carry out these purposes, they also have a duty to seek to foster the economic and social wellbeing of local communities within the National Parks.

NPW welcomes this opportunity to provide comments on the consultation. Whilst NPW may not have significant direct experience in the mechanics of EU funding streams and their administration, the territories of the three Parks have been influenced in both a negative and a positive manner by EU policy and funding support.

There have been some significant benefits over the last decades from EU support in National Parks e.g. the evolution of the Wales Coastal Path, a new building on the summit of Snowdon, improvements in recreation and tourist facilities, projects that delivered on biodiversity and sustainable land use. All these projects have contributed in maintaining what makes National Parks special and have contributed to the economy of our areas and the wellbeing of our communities.

### PLANNING FOR REPLACING FUNDING STREAMS:

The Cabinet Secretary with responsibility for BREXIT has established a task group for such consideration, and we support the principle of establishing such a group. From our experience and involvement, intelligence provided allows stakeholders to fathom the extent of potential change, which is valuable when considering scenarios in relation to level of funding and administrative responsibility. NPW is disappointed that there have been no opportunity to engage on the land management group, arguably the most important group to areas such as National Parks, where the experience and knowledge of the three organisations would add value. The extent of funding or potential funding issues are identified and they inform discussions within Wales and on an UK level between the devolved administrations.



BRECON BEACONS  
NATIONAL PARK



Parc Cenedlaethol  
Arfordir Penfro  
Pembrokeshire Coast  
National Park



PARC CENEDLAETHOL  
ERYRI  
SNOWDONIA  
NATIONAL PARK



PARCIAU NATIONAL  
CENEDLAETHOL PARKS

Parciau Cenedlaethol Bannau Brycheiniog, Arfordir Penfro ac Eryri yn gweithio mewn partneriaeth.  
Brecon Beacons, Pembrokeshire Coast and Snowdonia National Parks Working in Partnership

Parciau Cenedlaethol Cymru  
National Parks Wales

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## ADMINISTRATING REPLACEMENTS FOR CURRENT EU FUNDING STREAMS:

NPW like all stakeholders have reservations in relation to future proposals, their structures and administration and the extent as to how such changes affect National Parks' purposes, in a post BREXIT scenario.

NPW draw your attention to the following:

- Post BREXIT – need for regulatory arrangements to be in place both in terms of environmental and consumer protection.
- What will the regulatory floor look like for industry and land based sectors?
- Current delivery of axis 3 & 4 activity, are aligned to Local Authority administrative boundaries – we believe there are more effective arrangements centred on places and destinations to deliver on such matters.
- As a matter of principle, Welsh Government should devolve administration and delivery to regional or local based hubs, outcomes can be strengthened by such an approach and would underpin the five ways of working and contribute to outcomes as set out in the Wellbeing of Future Generations (Wales) Act.
- Delivery of land based support mechanisms should align with strategic outcomes such as Sustainable Management of Natural Resources, Sustainable Development and where appropriate language and culture outcomes. The Cabinet Secretary has confirmed that a one-size fits all approach will not apply in Wales, based on this we believe that place plans similar to National Park Management Plans should be a blueprint for setting future priorities, support regimes and their administration.
- There is a need to allow for transitional arrangements for all current EU funded programmes.
- Advising on how best to deliver for Wales (and how to administer), is difficult as quantifying any budgets post 2024 is difficult. Will budgets be hypothecated and if not how will Welsh Government re-purpose (if at all) such resources. This is vital as current EU programmes have benefited from 7 year funded programmes, which allows for more strategic approaches in the what and how on how to deliver for Wales. Short-term financial allocations would be particularly problematic in addressing environmental and social factors.
- In terms of land based environmental management there needs to be understanding of what are public goods and what are public benefits and clear justification on any interventions will be required.



Parcïau Cenedlaethol Bannau Brycheiniog, Arfordir Penfro ac Eryri yn gweithio mewn partneriaeth. Brecon Beacons, Pembrokeshire Coast and Snowdonia National Parks Working in Partnership

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# Inquiry Response

Welsh Assembly Finance Committee  
May 2018

## Inquiry into preparations for replacing EU funding for Wales

### CLA Cymru: The voice of the Rural Economy

1. The CLA (Country Land & Business Association) is the representative organisation for rural businesses across England and Wales. We work closely with both the UK and the Welsh Government as a consultee-of-choice on issues concerning the rural economy; the land-based businesses it supports, and the wider enabling policies that supports sustainable development.
2. With around 3,000 members in Wales and 33,000 in total, our members own and manage more than 10 million acres across the UK and engage in a wide range of business activities from agriculture and food to forestry and the gamut of businesses that support the land based industry.
3. Our membership relies on us to ensure that the voice of the rural economy is heard in the development of policy. The needs of rural community and businesses are often over-looked and under-represented in UK politics.

### The Legacy of EU funding for Rural Wales

4. Wales has only known devolution in the context of EU membership. That membership brought with it participation in established frameworks and funding programmes that have inexorably shaped the structures, ways of working and mentality of Wales.
5. Nowhere is this more apparent than in rural Wales where the Common Agriculture Policy (CAP) has shaped and distorted business practices, impacted our environmental legacy and influenced our understanding of rurality. Designed for a specific post-war purpose, the CAP provided an effective tool for supporting desired outcomes of the day, namely food. As the demands of the public have changed, the CAP has shifted its focus to wider environmental and community outcomes, but at its core, it has failed to create sustainable farms and been ineffective in shaping the growth that should have seen rural communities thrive.
6. Whilst rewarding the 17,000 or so farming business that were eligible for the income support through direct subsidies, the failing of CAP is that it encouraged businesses to stay the same, not to expand or innovate or invest. As such, one of the legacies of CAP is a divide in the hearts and minds of policy makers, politicians and individuals about the type, scope and scale of business activity that should take place in our rural communities and areas. Brexit is bringing this divide into sharp focus
7. Looking beyond the CAP, Economic development has long been a challenge for rural Wales. Despite recent GVA growth rates, overall, our economy lags behind other areas of the UK. Much of the growth has been the result of using structural funds attracting large companies to Wales through lucrative but expensive deals. The legacy of this growth can be fickle and fleeting and often urban centric.

8. This is problematic when you consider that Wales is undeniably rural. There are as many people living in the open countryside in Wales as in our cities and large towns<sup>1</sup> and the opportunities to benefit from this investment has been geographically limited. In Wales, rural business totals nearly 105,000 enterprises – remarkably, only 16% of these are defined as agriculture, forestry and fisheries, the largest other sectors are in professional, technical, wholesale and retail services and the opportunities for economic growth is significant.
9. Arguably, the most notable legacy of EU funding in rural Wales is the false and outdated divide between rural and ‘the rest of the economy’. Rural does not mean ‘farming’ anymore. For the last two generations rural business have been incentivized to solely produce food, then encouraged to diversify and pursue other income streams under the single banner of the farm business but were largely excluded from accessing more significant progressive pots of funding for economic development money due to state aid and primary production restrictions. This might have been understandable when agriculture was the predominant industry of the rural economy, but the evolution in the structure, type and complexity of businesses operating in rural areas has changed significantly over time and it is now timely to consider if such a defined split remains appropriate.
10. Looking to the future, the CLA would advocate that growing of indigenous business would be more organic and offer longer term benefits to the economy of Wales. With changes to funding structures likely for Wales, this is an opportunity to refocus economic growth towards more sustainable development.
11. Leaving the EU has provided a much-needed impetus to re-examine and reshape the future scope of some of our most essential funding avenues. It is encouraging that Welsh Government is proactively discussing the possibilities with stakeholders and the CLA considers the opportunities set out in the Economic Action Plan as progressive and appropriate for *all* businesses including farming. . The priority must be to ensure that economic growth is delivered across Wales, not just in the industrial and urban heartlands.
12. At its core, there is no real difference between a “rural” or an “urban” business; a business growing a crop or one providing tourism services; a sole-trader or a limited company. Fundamentally they are all aiming for the same goals – to become a profitable, productive business - and therefore need to same tools to flourish. The only difference is *proportionality*. The nature and dispersal of the rural economy make it more difficult to support and grow but the rewards for success are equally great as the longevity and development of indigenous business is more sustainable for the health and well-being of our economy and our communities.

### **Assessment of the current financial planning for replacing EU funding streams in Wales**

13. It is our understanding that the current EU programmes have secured match funding from UK government until 2022. This is a significant and positive commitment that will enable current schemes run their course, however, we are concerned about the lack of detail on the terms of

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<sup>1</sup> Welsh Government, *Securing Wales’ Future*

the funding and this potentially creates risks for Welsh Government but also recipients until absolute clarity is offered on the amount of money and mechanism through which this money is made available to Welsh Government. Recent announcements by the Cabinet Secretary Lesley Griffiths also suggests that CAP based support will be carried forward to 2019 too.

14. For rural Wales and specifically looking at CAP, much has been made of the need to avoid a 'cliff edge' in support and the need for an orderly transition to the new world order. CLA would absolutely call for a structured transition period, but we must also be cautious that a transition does mean change. There is a significant risk that many businesses will see this period as an opportunity to 'kick the can down the road' and delay taking difficult decisions on the future of their business. This approach will not serve the farming industry well. Clear messaging that transition is a precursor to significant change is essential.
15. Similarly, for Welsh Government, assurances of funding in the short to medium term should not lead to complacency in the urgency to develop successor programmes. We are encouraged by the fact that Welsh Government have issued early consultations to seek views on future funding, and are supportive by the open nature of the discussion around innovative solutions, we are also aware that Wales cannot conclude the discussion on this without wider negotiation with other parts of the UK. Whilst the 'Regional Investment in Wales after Brexit and Securing Wales' Future documents have outlined the Welsh Government's priorities, the planning involved would require input from the UK government in order to maintain fairness across all four nations and not to disadvantage competitiveness. We urge that politicians and decision makers redouble efforts to work together in Cardiff and Westminster to make swift progress on developing new schemes.

### **Preparation for different potential scenarios around levels of funding**

16. The work undertaken on the Welsh Government Evidence and Scenarios Brexit sub group offers a detailed analysis of the impact of Brexit in rural communities provides a useful insight into the challenges ahead for some key farming sectors. The work produced a comprehensive report and painted a stark picture of some of the issues arising.
17. While some of the messages and potential outcomes may be difficult to stomach, it is important that they are shared and the reality of the scenarios are understood. This evidence needs to be the baseline upon which our future policies are based. Furthermore, once clarity does emerge on the nature and length of transition, we must ensure that the time and money is used wisely to ensure that support is concentrated on preparing businesses able to thrive in the new world. This will require scrutiny and prioritisation of funding as opposed to spreading the jam thinly.
18. CLA Cymru believes there is a unique opportunity and urgent need to refresh the approach taken to supporting the diaspora of SME's and micro businesses operating in our rural communities across Wales. Too often the focus of "rural" has been "agriculture" – as rural businesses have developed and diversified, it is no longer acceptable to allow such narrow interpretations to continue.

19. Fundamentally, CLA Cymru would suggest that more emphasis should be placed on strengthening Governments' relationship with private business. Government at a national and local level cannot deliver economic growth and sustainability; this is the preveue of the private sector. It is the role of the public sector to act as enablers for this. The objective for Welsh Government should be to align all relevant policy areas to deliver and enable sustainable economic development across Wales. CLA Cymru would suggest a need to fundamentally review some of the regional models currently operating in Wales. The majority are heavily dominated by the public sector and do little to engage with private business.

### **Administrative Responsibility of EU Funding**

20. As an organisation working across England and wales, we are aware of the emerging ideas by Westminster Government as to how the Shared Prosperity Fund could be used as a framework to replace EU structural Funds across the UK. We are realistically not far from a world where current Structural Funds in Wales collide with the UK Governments ideas set out in the UK Prosperity Fund with funding mechanisms for city deals, regional growth deals and sector deals becoming the norm.
21. CLA Cymru is acutely conscious of the sensitivities associated with the impact that Brexit is having on inter-governmental relationships between the UK and Welsh Government. While we appreciate the importance of clear understanding between the roles and responsibilities of both Governments, we also believe that Brexit may offer an opportunity for better co-working and a move away from the parent / child relationship and tensions currently felt. We would encourage Welsh Ministers to explore ways to further enhance collaborative working arrangements, particularly those that bring private business and communities into the fold.
22. The Local Enterprise Partnership (LEP) Model seen in England has seen mixed results for businesses. The strength of LEP's in creating a framework which allows local businesses to influence and direct how money is used for local economic development priorities is beneficial but has created some areas of 'postcode lotteries' with inconsistencies in terms of delivery and value for money. We would be cautious about Wales being seen as a single LEP, but equally concerned about developments of local LEPs that could lead to fragmentation –many sectors operating in wales would benefit from a “once in Wales” approach whilst come supply chains could be strengthen with more local collaboration.
23. CLA Cymru would suggest a need to fundamentally review some of the regional models currently operating in Wales. The majority are heavily dominated by the public sector and do little to engage with private business. It is worth exploring the possible benefits of the Local Enterprise Partnerships model as developed in England where regional investment is delivered with more private sector input. There is real opportunity to be creative and develop a bespoke delivery model for Wales to take advantage of the emerging ideas and capitalise on a new approach. The risk of getting things wrong is seeing activity and growth beyond Offa's Dyke and not in Wales.
24. There are also significant questions emerging as to the future basis of funding. EU structural funds have enabled Welsh Government to deliver funding in areas of greatest need. This is provided a mechanism to target funding to achieve desired outcomes. Increasingly, some of



the proposals suggest a move away from needs based model towards a challenge fund. While the competitive element may encourage high quality bids, we would be extreme concerned that Wales, and in particularly rural Wales, is not geared up to compete for public support. There does exist the expertise, the critical mass of businesses and entrepreneurs and the density of ideas and projects needed to show the return on Investment. Not being able to deliver a needs based system could see even greater depletion of economic development activities in rural communities

25. In Wales, there is a need to review administrative responsibility for delivering funds through creating streamlined services, to scale back duplication and deliver better value of money. Currently each sector such as health, education and public sector for example are all working within their regions but without being mapped together in terms of delivery.
26. Welsh Government has an unparalleled opportunity to redress some of the economic barriers inherent in our current policies and support mechanisms. The best solutions for the communities and businesses of Wales can only be delivered if collectively we are all willing to question and challenge the core tenants and fundamental beliefs that have evolved through several decades of delivering European Investment and Structural Funds.

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For further information please contact:

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

### **Response from Blaenau Gwent County Borough Council**

Sent by e-mail: [SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

11.05.18

We write in response to the Finance Committee's terms of reference of its inquiry into preparations for replacing EU funding streams in Wales, after the UK leaves the EU:

#### **Core Principles**

We would like to see any re-placement funding streams based upon similar principles to those underpinning EU cohesion policy. That is, an aim towards convergence between wealthier and less developed areas, and at least in part, re-distributive in nature.

As an area with challenging levels of poverty, disadvantage and some skills gaps, we advocate the importance of "levelling up" and ensuring no area is left behind. Decisions on the investment of the UK Shared Prosperity Fund should reflect this need and focus a higher proportion of resources upon areas of deprivation.

We believe this is important for translating the governments' commitment to social justice to action but also more broadly to help deliver a cohesive and an equal Wales, in line with important legislation and approaches such as the Well-being of Future Generations Act.

#### **Policy priorities**

We are given to understand that post Brexit, the opportunity to continue to benefit from and participate in some EU programmes such as INTERREG is likely. This serves as a positive example of a programme with capacity to share knowledge and expertise. It seems sensible to develop new arrangements with one eye towards developments in the EU to maintain an understanding of common areas for prioritisation and collaboration.

Where possible it should maximise the benefit of Wales' own funding arrangements alongside participation in EU programmes, especially in light of the ongoing squeeze on public funding and projections around economic performance post-Brexit.

## **Administrative arrangements**

Having participated in and benefited from a number of EU funding programmes, we suggest there may be room to simplify some administrative arrangements. While we fully support robust systems to monitor and account for funding, we would like to see these made as simple as possible to ensure maximum participation in future schemes both from professional organisations and from smaller community run groups and organisations. Indeed, there is an argument to suggest that future funding streams could provide greater funding flexibility i.e. built into core funding rather than in the form of specific grants.

## **Delivering Outcomes**

We welcome the move in recent years to increase assurances that publically funded and commissioned projects are delivering real outcomes for people and communities. We want to see this approach maintained under new arrangements and built into all aspects of arrangements to emphasise the centrality of change that funding should deliver.

## **Communication and engagement**

The vote to leave the EU in Blaenau Gwent, as in other parts of the UK with similar socio-economic profile, was arguably in part a reflection of a *perception* some communities had about the EU and EU funding. Learning from this, new arrangements must pay due consideration to the socio-economic profile of communities across Wales. They must robustly communicate where funding has come from, how it has been used and what benefits it has delivered.

## **Regional Working**

Given the movement towards regional working and increased regional collaboration in public services and local government, future arrangements should reflect and be responsive to regional collaborations and make due regard to spatial considerations for areas that sit within or are associated with multiple regional footprints.

However, any such arrangements should design out situations where regional projects are in “competition” or result in duplication.

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

### **Response from Hywel Dda University Health Board**

This response has been prepared on behalf of Hywel Dda University Health Board which welcomes the opportunity to provide evidence on the impact of withdrawal of funding received from the EU.

As we understand that NHS Wales receives little direct funding for Health therefore we assume there will be a minimal direct impact upon the funding of NHS Wales. Reduction of EU funding to sectors other than Health may however put further pressure on other Welsh Government budgets which may in turn impact on the Health budget allocation and, as a consequence, Hywel Dda UHB.

EU funding withdrawal from Local Authorities that has a direct impact upon services provided by NHS staff may be a possibility. This includes schemes that are commissioned by local authorities and provided by Welsh NHS organisations such as Surestart, Flying Start and Families First. The funding for these initiatives could cease with the resultant impact upon service provision.

Between 2007 and 2013 the UK contributed 5.4 billion Euros into EU research and development (Office for National Statistics 2015) but also received 8.8 billion Euros for research, development and innovations activity (European Commission). There is therefore a financial risk on this part of R&D funding streams.

Within Hywel Dda UHB R&D work, the main projects with EU funding are the KESS (Knowledge Economy Skills Scholarships) studentships – we currently have a role in supporting the following:

1. Aberystwyth University
  - a. PHD - Establishing novel, rapid and cost effective screening for pulmonary diseases (due to end 2020)
  - b. PHD - MATILDA: data Management and Analytics for Lung Disease Research (due to end 2020)
  - c. PHD - Rapid diagnostic approaches for thoracic disease based on pleural effusions (due to end 2021)
  - d. Mphil - Cared for and Carer experiences and acceptability of 'Care Messenger' to facilitate social inclusion and well-being (due to end 2019)
  - e. Mphil – Evaluating nurse led lung cancer support (due to end 2019)
2. Cardiff University
  - a. PHD – Characterisation of the Immune Response to Kidney Cancer, clues to immune evasion (due to end 2020)

### 3. Trinity St. David's

- a. PHD – Developing personalised approaches for treatment delivery for patients with OSA (due to end 2020)

In discussion of KESS with Abertawe Bro Morgannwg University Health Board we do not anticipate that current students will be affected due to the completion dates of projects. However, it would be good to have this confirmed and have clarity over access to similar funding streams in the post Brexit period to continue such valuable work.

Two bids have recently been made to Horizon2020 in collaboration with EU teams and funding, we anticipate, should not be affected on these projects if successful. AgorIP and CALIN (Swansea University) are partly funded by EU funds and although we access their support we do not fund this service. Again confirmation of the treatment post Brexit and the arrangements for similar future collaborations, is urgently required so we can plan effectively our R&D effort.

We may have external studies that we recruit into that are funded from EU funds. As a result of leaving the EU these may close, resulting in reduced patient recruitment and a reduction in our activity based R&D funding however this will take time to assess properly. There may also be an impact on R&D due to a reduction in available grant funding for projects. It is ultimately the level of uncertainty that is the key risk.

The EU's policy on freedom of movement and mutual recognition of professional qualifications within the EU has resulted in many health professionals working in the UK having come from other EU Countries. A potential loss of recruitment and retention where the NHS is already struggling to recruit and retain permanent staff could result in additional pressures on services and premium cost temporary workers. Recruitment challenges are particularly acute in the Hywel Dda area with this featuring as one factor in our recently launched consultation "Transforming Clinical Services". At the current time we have 5.4% of our posts vacant overall with up to 20% in some wards. This has driven our significant cost of Agency staffing. 79% of our staff members have a recorded country of origin on our payroll systems and 285 individuals or 2.5% of our staff declare themselves to be EU nationals originally from other member states.

The wider overall uncertainty over withdrawal from the EU will have a much bigger impact upon the NHS in Wales than specific EU funding streams. Whilst the impact on the UK Economy of the departure from the EU is unknown, there is a risk however of some further economic instability leading to a decline in the value of sterling and inflationary increases. Much of our Medical and Surgical Equipment is after all imported and of high value. This together with the overall impact of the Brexit deal could potentially lead to pressures on a UK economy which in turn could result in the need to curtail public sector spending. This is the biggest risk facing NHS Wales. The potential impact of this and the differing views of the scale of such risks if there are indeed any are well rehearsed at a national level on a daily basis.



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# FSB Wales response to the Finance Committee

## The Future of EU Funding

### May 2018



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Experts in Business

## About FSB Wales

FSB Wales is the authoritative voice of businesses in Wales, with around 10,000 members. It campaigns for a better social, political and economic environment in which to work and do business. With a strong grassroots structure, a Wales policy unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

## Introduction

As we move forward in the Brexit negotiations it is vital that the interests of Wales 250,000 smaller businesses are front and centre throughout the negotiations and beyond. This is true of the needs of the UK as a whole, and also the specific needs of Welsh businesses within the UK.

As part of our work on Brexit, FSB has published four UK-wide reports covering the key aspects of Brexit and beyond for small businesses and the self-employed. These areas were access to markets, skills and labour, EU funding and what next, and finally the future of EU regulations in the UK post-Brexit<sup>1</sup>. FSB Wales has also produced a paper drawing together these themes in a Welsh context.

Within the National Assembly, the engagement of the committees with the Welsh business community has been encouraging. Work produced so far on the broad implications of Brexit<sup>2</sup>, the future of Welsh ports<sup>3</sup>, and on regional funding<sup>4</sup> has been a high-quality contribution to the ongoing debate.

## Volume of future funding in Wales

Wales currently receives about £680million a year in EU funding<sup>5</sup> this is effectively a significant boost to the public purse in Wales, and such funding has been used for a number of schemes that are intended to support businesses in Wales or undertake economic development activity in Wales.

**It is strongly our view that maintaining this volume of funding is essential**, as it underpins so much of the activity that Welsh Government (and other agencies) undertake to support SMEs in Wales, from business support, to apprenticeships, access to finance and wider economic development and regeneration schemes.

For instance, our research<sup>6</sup> shows that just under a quarter (22.9%) of Welsh SMEs have received support from European funding streams, primarily signposted through "Business Wales" or wider skills and business support.

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<sup>1</sup> Our four reports are titled "Keep Trade Easy", "A Skilful Exit", "Reformed Business Funding" and "Regulation Returned" and are available here: <https://www.fsb.org.uk/standing-up-for-you/policy-issues/european-union/brexit>

<sup>2</sup> National Assembly for Wales (2017) Implications for Wales of leaving the European Union

<sup>3</sup> National Assembly for Wales (2017) Inquiry into the implications of Brexit for Welsh ports

<sup>4</sup> National Assembly for Wales (2017) Inquiry into the future of regional policy – what next for Wales?

<sup>5</sup> Welsh Government (2017) Brexit and Devolution : Securing Wales Future

<sup>6</sup> FSB (2017) Reformed Business Funding – What Small Firms want from Brexit <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf>



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This financial support has been used to provide skills training, research and development and business development support. FSB Wales also knows that a significant proportion of the apprenticeships budget, a key support to SMEs and wider skills development in Wales is currently funded by the EU.

In designing funds in the post Brexit landscape, the experiences of Wales' small business should be used to inform best practice. It shouldn't be the case that poor design, or disbursement of past funds should preclude the existence of new funds that suit the need of Wales.

The move away from European funding mechanisms and frameworks allows the possibility of reassessment priorities, allocation and delivery in Wales. This provides for a new engagement with business and other partners as to how funding can best be used to drive up economic activity and regional economic performance.

**The future of Wales' regional development funding**, currently largely delivered through European programmes **is a key issue for FSB Wales' members and Wales as a whole, and we would like to see this addressed as a matter of priority.**

### Administration of future funds

As the UK proceeds through the process of exiting the European Union attention is now turning to the replacement for EU funding. In the first instance, the UK Government has stated its intention to create a UK shared prosperity fund that would replace previous forms of regional policy.

FSB Wales members are significantly impacted by current methods of EU funding and current programmes have a strong degree of alignment with economic development policy in Wales. Keeping in mind that economic development is a devolved responsibility, FSB Wales is keen to ensure this alignment continues post-Brexit and that funding continues to have a strategic impact. Similarly, we feel that funding should come to Wales at a level that continues to respond to existing need. Funding capacity should not be disadvantaged by Brexit.

Whilst FSB Wales believes improvements can be made to the way previous EU funding has been utilised; in our view it is vital that any replacement for European funding is complimentary and not contradictory to Welsh Government economic development policy.

Therefore, FSB Wales believes future funds should be administered from within Wales. In "Reformed Business Funding", FSB recommended that:

*Alongside a new Growth Fund for England, FSB would urge the UK Government to ensure future funding for the devolved nations remains administered directly by the Scottish and Welsh governments and by the Northern Ireland Executive. The devolved nations should retain the*





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*powers to set their own allocations and frameworks for how funding should be prioritised, which takes account of local priorities.<sup>7</sup>*

FSB Wales continues to believe that any future regional funding allocations to Wales should be administered by the Welsh Government, allowing it to prioritise funding according to Wales' needs.

Whilst future administration may, or may not, replicate the current arrangements with respect to the Welsh European Funding Office, there should be a visible "Wales" footprint on management and administration. Expertise currently present within WEFO should not be overlooked or lost in the design of any future funding mechanisms.

In England, FSB has recommended that funding should retain the approach of covering multiple LEP areas. In Wales, this could be replicated by ensuring that funding is administered on a similar basis to the areas identified as Economic Regions by the Welsh Government. This allows for flexibility based on the individual needs of different parts of Wales, whilst maintaining co-terminosity with other administrative and financial structures. These regions are also sufficiently large to ensure that larger projects have economy of scale to deliver wider benefits.

Future funding arrangements and administration therefore should learn from the best available practice in the disbursement of existing funds.

### Further comments

Annexed to this document are our full reports on EU funding, as well as submissions to other committees on issues that have some relevance. Key points covered in these documents have been highlighted above, and we hope the committee finds this useful.

### Annexes

1. FSB (2017) Reformed Business Funding : What Small Firms Want from Brexit <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf>
2. FSB Wales (2017) Making Brexit Work for Wales [https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb\\_making\\_brexit\\_work\\_wales\\_eng.pdf?sfvrsn=0](https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb_making_brexit_work_wales_eng.pdf?sfvrsn=0)
3. FSB response to the External Affairs and Additional Legislation Committee on the Inquiry into resilience and preparedness: the Welsh Government's administrative and financial response to Brexit
4. FSB response to the External Affairs and Additional Legislation on the inquiry into Wales' future relationship with the EU.

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<sup>7</sup> ibid



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2<sup>nd</sup> November 2017

David Rees AM  
Chair, External Affairs and Additional Legislation Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Dear David

**RE: Inquiry into resilience and preparedness: the Welsh Government's administrative and financial response to Brexit**

FSB Wales welcomes the opportunity to contribute to the External Affairs and Additional Legislation Committee's inquiry into resilience and preparedness in response to Brexit.

FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

Wales' economy is one that is based on the success of small firms – the vast majority of firms in Wales hire less than 25 people and most private sector employment in Wales is in SMEs. Therefore, it is crucial that Welsh and UK Government work together to deliver a Brexit that ensures that these firms can have a bright and successful future.

**FSB Wales' Brexit Research**

To inform our response to Brexit, FSB carried out four work streams on areas of concern to smaller businesses. These were; access to markets, access to skills and labour, European funding and regulation. Each theme had a published UK-wide report setting out key recommendations for the UK (and where applicable Welsh) government.

This was supplemented with additional survey work specifically with FSB Wales members which we then synthesised into a report for Wales bringing together all four themes and contextualising them in relation to the Welsh Government's Brexit White Paper. The resulting report *Making Brexit Work for Wales' Smaller Businesses* is attached to this letter for the committee's reference.

The report should provide a number of answers to the committee's line of inquiry including on the key issues facing the SME sector in Wales, some suggestions on how Welsh Government can support firms through the transition process and recommendations to help prepare SMEs for Brexit.

**Brexit Preparedness Fund**

As one might expect, this is an agenda that is moving quickly and there is a significant degree of uncertainty at present as to the nature of the UK's exit from the European Union. One recent development has been the Welsh



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Government's agreement with Plaid Cymru for a £5m Brexit support package for businesses. FSB Wales believes there is merit in this funding being used to help Wales' SMEs to risk assess their business in relation to various Brexit scenarios. This could be delivered through Business Wales and would make use of existing Business Wales support programmes to help prepare those firms that have been risk assessed to deal with any consequences emerging from Brexit.

### Conclusion

I hope you find the comments of this letter of interest and that our report *Making Brexit Work for Wales' Smaller Businesses* is able to inform your inquiry.

Should you require any further information, please do not hesitate to contact FSB Wales.

Yours sincerely

**Janet Jones**  
**Wales Policy Chair**  
**Federation of Small Businesses Wales**



Arbenigwyr mewn Busnes  
Experts in Business

9<sup>th</sup> February 2018

David Rees AM  
Chair, External Affairs and Additional Legislation Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Dear David

### **RE: Inquiry into Wales Future Relationship with the European Union**

FSB Wales welcomes the opportunity to contribute to the External Affairs and Additional Legislation Committee's inquiry into Wales' future relationship with the European Union. We previously provided evidence to the committee's inquiry into resilience and preparedness in light of Brexit and would like to take this opportunity to restate many of the issues we raised during that inquiry.

#### **FSB Wales' Brexit Research**

To inform our response to Brexit, FSB carried out four work streams on areas of concern to smaller businesses. These were; access to markets, access to skills and labour, European funding and regulation. Each theme had a published UK-wide report setting out key recommendations for the UK (and where applicable Welsh) government.

This was supplemented with additional survey work specifically with FSB Wales members which we then synthesised into a report for Wales bringing together all four themes and contextualising them in relation to the Welsh Government's Brexit White Paper. We shared the resulting report *Making Brexit Work for Wales' Smaller Businesses*, with the committee during the previous inquiry and have attached it again for further reference to this submission.

Key elements of the report from our perspective that relate to Wales' future relationship with the European Union are as follows:

#### **Access to Markets**

- A transitional deal which provides clarity and stability for Welsh business.
- Post-Brexit trade arrangements that preserve Welsh firms' access to their key markets.
- FSB Wales believe the UK Government should seek to minimise tariff and non-tariff barriers with the EU single market following our exit from the EU.
- Welsh Government should assist the smallest Welsh firms in exploring new markets within the UK, as a first step to trading internationally.
- The Welsh Government should consider the development of a trade and investment strategy and potentially, the creation of a body to support the delivery of this.
- Welsh Government, in partnership with the UK Government where necessary should seek to better define and promote the Wales brand as a more effective vehicle for creating opportunities for Welsh businesses and investment.



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### Access to Skills and Labour

- Post-Brexit migration arrangements should protect Welsh firms ability to fill skill gaps. Costs associated with hiring migrants should be kept to a minimum.

### Regulation

- The Joint Ministerial Council should be repurposed and given greater visibility and transparency as a forum for resolving areas of domestic regulatory divergence where this has the potential to damage the UK internal market.

Wales' economy is one that is based on the success of small firms – the vast majority of firms in Wales hire less than 25 people and most private sector employment in Wales is in SMEs. Therefore, it is crucial that Welsh and UK Government work together to deliver a Brexit that ensures that these firms can have a bright and successful future.

### Welsh Government's Brexit Position Papers

FSB Wales has welcomed the work that Welsh Government has undertaken on regional funding, migration and trade following Brexit. We called on the Welsh Government to be proactive in this area in setting out the priorities for Wales as the UK leaves the European Union and have had positive engagement with them on all of the above matters.

One theme that has emerged through all papers, but in particular around the most recent paper *Trade Policy: the issues for Wales* is the role of the Welsh Government in informing the future relationship between Wales, the UK and the rest of the world, particularly through trade deals. In our previous policy work on Brexit we have emphasised the need for a reformed Joint Ministerial Council process to ensure that all UK governments are able to come to consensus on the priorities for Brexit. This would help avoid threats to the internal UK market, and ensure regulatory alignment where this is needed for international trade deals.

In this respect, we welcome Welsh Government's suggestion of a JMC for International Trade and would see this as a key forum for Welsh Government and businesses in Wales to articulate the opportunities and threats for any proposed trade deal with the EU or a third-party.

### Conclusion

I hope you find the comments of this letter of interest and that our report *Making Brexit Work for Wales' Smaller Businesses* is able to inform your inquiry.

Should you require any further information, please do not hesitate to contact FSB Wales.

Yours sincerely

**Ben Cottam**  
**Head of External Affairs**  
**Federation of Small Businesses Wales**

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## **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.



# **The National Assembly for Wales – Finance Committee**

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

**A Submission by:**

**The Chartered Institute of Public  
Finance and Accountancy**

**May 2018**

**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at [www.cipfa.org](http://www.cipfa.org)

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## **1. Executive Summary**

- 1.1 Within this submission, CIPFA will assess the nature and quantum of EU funding relevant to Wales. We will consider the governance arrangements for this funding and discuss potential models of funding post brexit.
- 1.2 The current method of funding from the UK Government to the Welsh Government is through the provision of block grant adjusted via the Barnett Formula. CIPFA views this funding mechanism to be an inappropriate model for funding any EU competences repatriated post brexit.
- 1.3 Structural and Investment funds received from the EU into Wales amount to €3.1bn over the funding period 2014 to 2020. These EU funds leverage additional finance for projects and infrastructure, raising the total funds available to €4.7bn over this period. Reaching agreement between the Welsh and UK governments on structural and investment funding post brexit needs to take place quickly, in order to offset any uncertainty and mitigate delays in project planning and implementation due to future funding concerns.
- 1.4 CIPFA sees an opportunity to improve the co-ordination and governance arrangements for funding between the Welsh and UK Governments. The opportunity is for revised and strengthened governance arrangements and partnership agreements through the current Joint Ministerial Committee with the UK Devolved Governments.
- 1.5 The new arrangements on funding should be codified in the form of an agreement and should set out the arrangements and measures for funding alongside how disputes would be resolved. Further these agreements should allow for the appropriate scrutiny to take place in the respective parliaments and devolved assemblies.
- 1.6 Agriculture is a devolved matter for the Welsh Government and as such CIPFA supports the view that post brexit the Welsh Government should have flexibility to develop its own specific funding practices based on its objectives for the sector. Nationally there should be agreement on funding for agriculture support and distribution and within its scope should be a review of the current system of direct payments. This inclusion would be looking to improving the transparency, fairness and efficiency of the current system of payments.
- 1.7 Research funding should continue to remain at arms-length from government. CIPFA advocates that the existing national arrangements for research funding and funding councils, including the Welsh funding bodies, should be maintained with no diminution in funding levels post brexit.
- 1.8 It would be important for the Welsh Government to press for resolution on whether there will be access to EU research funding post brexit and; if not available a case should be made to ensure UK research bodies can continue to support research developments to at least the existing pre-brexit levels.

## 2. Nature of EU Funding in Wales

2.1 The primary sources of funding from the EU consist of Structural and Investment Funds and funding for Agriculture. Structural and Investment Funding for Wales over the period 2014 to 2020 can be summarised as follows:<sup>1</sup>

<b>Funds (€m's)</b>	<b>EU Funding</b>	<b>National Co-Financing</b>	<b>Total Funding</b>
European Agricultural Fund for Rural Development (EAFRD)	651	315	966
European Regional Development Fund (ERDF)	1,409	827	2,236
European Social Fund (ESF)	1,008	486	1,494
<b>Total Funding</b>	<b>3,068</b>	<b>1,628</b>	<b>4,696</b>

2.2 An important aspect of the funds received from the EU is the leverage that this funding brings in terms of raising additional national financing from both public and private sources. In relation to the ERDF and ESF, co-financing is split 70:30 between public and private sector sources respectively.<sup>2</sup> National co-financing adds 53% to the level of resources available from the EU into Wales over the funding framework period.

2.3 In August 2016<sup>3</sup> the UK Chancellor announced measures to ensure funding would be underwritten by the UK Government for projects agreed prior to the autumn statement 2016. This also applies to certain funds agreed post the autumn statement while the UK is still a member of the EU. This effective funding guarantee is valuable for projects underway or about to be agreed, however it leaves the position post 2020 unresolved.

2.4 Alongside the EU Structural and Investments funds, there are other areas of EU funding to consider. There is the replacement of the Common Agriculture Payments (CAP), where Wales is expected to receive €1.95 billion for Pillar 1 direct payments from the EU. This equates to an average of €279m per annum over the funding period 2014 to 2020.<sup>4</sup> The UK Government has also confirmed that current levels of funding are guaranteed until 2020. But again, beyond that the future is uncertain and

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<sup>1</sup> European Union, Structural and Investment Funds, EU Data Portal:

<https://cohesiondata.ec.europa.eu/countries/UK>

<sup>2</sup> Welsh Government, Welsh European Funding Office - A Summary of the ERDF and ESF Structural Fund Programmes in Wales: January 2015

<sup>3</sup> HM Treasury and Department for Exiting the European Union: Further certainty on EU funding for hundreds of British projects announced by the Chancellor – October 2016 [www.gov.uk](http://www.gov.uk)

<sup>4</sup> National Assembly for Wales, Climate Change, Environment and Rural Affairs Committee - The future of land management in Wales: March 2017

represents a further issue to be addressed for Wales which has significant Agri-food and Farming sectors.

- 2.5 What is known is that Wales will receive approximately 8.8% of CAP pillar 1 payments allocated in the period 2014-2020, compared to its population share of 5.7%.<sup>5</sup> This means that if this funding were to be administered via the population share based Barnett formula going forward, this would result in a significant reduction in funding post 2020. Use of the Barnett Formula funding mechanism would also not recognise the different nature and support needs of some farmers in Wales compared to elsewhere in the UK.
- 2.6 Evidence given to the House of Lords<sup>6</sup> noted that 80% of Wales was an EU-designated Less Favoured Area which attracts increased funding. Therefore the risks for Welsh farmers are correspondingly greater than for English farmers. Further evidence also noted that 80% of Welsh farm income also came from EU funds, this in turn feeds through to spending in rural communities in Wales. The conclusion being that not continuing with this level of funding, including structural funds, could lead to a significant adverse impact on rural life in Wales.
- 2.7 Further to the above there is the question over future availability of access to financing from the European Investment Bank (EIB). Between 2014 and 2017 the EIB had signed finance contracts relating to projects in the UK totalling €23.6bn.<sup>7</sup> This funding included a number of projects in Wales including, the Swansea University campus optimisation project and infrastructure for Welsh Water.
- 2.8 Smaller funds available to Wales include the European Maritime and Fisheries Fund (EMFF). Projects approved under this fund in Wales totalled £1.5m of eligible expenditure.<sup>8</sup> Of this figure, over £1.0m was the contribution from the EU towards these costs.
- 2.9 Horizon 2020 is the EU's directly managed research and innovation programme with total funding of €80bn available over the funding period 2014 to 2020. Wales has successfully accessed this fund, with €83m of funding contributing to projects across the business and higher education sectors.<sup>9</sup> Accessing this funding helps to underpin development of Wales as a destination for investment and to support future employment growth.
- 2.10 This information tells us that EU funding should not just been seen as funds received from the EU but also what leverage those funds provide to bring

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<sup>5</sup> Figures obtained from Department for Environment, Food and Rural Affairs press release: UK CAP allocations announced, November 2013. <https://www.gov.uk/government/news/uk-cap-allocations-announced>

<sup>6</sup> House of Lords European Union Committee, 4th Report of Session 2017–19 – Brexit and Devolution: July 2017

<sup>7</sup> European Investment Bank – Finance Contracts Signed by Region: <http://www.eib.org/projects/loan/regions/1?from=2014&to=2017>

<sup>8</sup> EMFF approved projects in Wales as at December 2017. Published by the Welsh Government in January 2018.

<sup>9</sup> The Welsh Government, Regional Investment in Wales after Brexit – securing Wales future: 2017

in additional funding and support for projects. Further we can also see that the current mechanism for UK government funding to Wales through the Barnett arrangements is likely to be unsuitable in the post brexit environment.

- 2.11 With the date for the UK's exit from the EU at the end of March 2019 fast approaching, it is imperative that agreements are reached between the Welsh Government and UK Governments soon in order to offset any uncertainty in key sectors. Reaching agreement soon will also help to mitigate any delay in projects being planned coming through to implementation due to uncertainty on future funding streams.

### **3. Current Governance Arrangements in Wales for EU Funding**

- 3.1 The Welsh Government provides a wide range of support and performance assessment for the two European Structural and Investment Funds (ESIFs) in Wales:<sup>10</sup>

- the European Regional Development Fund (ERDF), which aims to strengthen economic and social cohesion by correcting imbalances between regions and;
- the European Social Fund (ESF), which aims to help people improve their lives by learning new skills and finding better jobs.

- 3.2 In practice, this means the Welsh Government has a role in distribution of funds to lead partners who handle applications for funds and in turn distribute the funding between individual projects and organisations. Performance of programmes is monitored by the Programme Monitoring Committee of the Welsh Government (PMC).<sup>11</sup>

- 3.3 The PMC monitors programmes against specific milestones and targets, however the performance is measured in regards to its contribution to the strategic aims of the EU's growth strategy as set out in the Europe's 2020 strategy.<sup>12</sup>

- 3.4 The 2020 strategy sets out the EU's agenda for growth and jobs for the current decade. It is primarily concerned with addressing structural weaknesses in the European economy. The overall governance arrangements does raise questions for the post brexit environment.

- Firstly, would the objectives for any replacement funding streams change post brexit and;
- secondly, what post brexit funding streams should be managed in Wales alongside current or future devolved competences.

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<sup>10</sup> Welsh European Funding Office, <https://gov.wales/funding/eu-funds/wefo-online/?lang=en>

<sup>11</sup> Wales Programme Monitoring Committee - <https://gov.wales/funding/eu-funds/2014-2020/programme-monitoring-committee/?lang=en>

<sup>12</sup> [Europe 2020 strategy](#)

- 3.5 In many respects the post brexit governance environment calls for better coordination and cooperation between the UK and Welsh Governments. This is due to balancing the need for preservation and, where possible, increasing devolved competences to Wales with the need for coordination of UK wide frameworks for trade purposes.
- 3.6 The UK currently manages these funds with the EU through its partnership agreement in place with the EU. This agreement sets out the quantum of funds available as well as objectives and expected results for the funding streams. There is the opportunity to use revised and strengthened arrangements through the current Joint Ministerial Committee (JMC) to put in place agreements with the UK's devolved governments on new funding arrangements similar to the current UK and EU Partnership agreements.
- 3.7 CIPFA believes that in implementing any revised arrangements through the JMC there needs to be appropriate methods for scrutiny. The Welsh and the UK Government need to consider how appropriate supporting scrutiny can be put in place. This will ensure the respective parliaments and assemblies can review what would be non-legislative arrangements implemented through the JMC.

#### **4. Development of new models of funding**

- 4.1 For the purpose of our analysis, CIPFA has taken the approach of splitting the range of EU funding into three core areas. These are Structural and Investment Funding, Agriculture and Research. This section of our submission will look at options and models for managing these funding streams post brexit.

##### **Structural and Investment Funding**

- 4.2 CIPFA believes that brexit does provide an opportunity to renew the arrangements for structural and Investment funding that previously came from the EU to the UK. We support the view that the UK Government should put in place funds for investment in the UK based on recognised measures of need that support identified and agreed objectives for the funding.
- 4.3 As these funds would be UK wide, it is central to their operation that the Devolved Governments of Wales, Scotland and Northern Ireland are party to the agreement of the aims and objectives for the funds. We advocate that this can be achieved through a strengthened and renewed role for JMC.
- 4.4 Once aims and objectives for funding and appropriate measures of need are agreed for distribution of funds, the Structural and Investment funding should be administered regionally by the Welsh Government in support of its own well-being outcomes and national programme for government.
- 4.5 CIPFA would see a role for elements of this funding to be co-ordinated with the work of the Development Bank of Wales. This is in support of providing



patient capital to assist in boosting local investment in support of economic growth measures.

- 4.6 The JMC should codify arrangements between the UK Government and the Devolved Governments of the UK in the form of an agreement. This agreement would set out the arrangements and measures for this funding alongside how any dispute resolution arrangements would work. The agreement would also be used to assist in appropriate scrutiny of arrangements and how funding is achieving its aims by the respective devolved parliaments and assemblies.
- 4.7 The nature of structural and investment funding demands that agreements made should provide for multi-year funding settlements. The will underpin and provide confidence over funding for longer-term structural investment in Wales.

### **Agriculture**

- 4.8 While agriculture is a devolved matter the issue of agreeing a replacement mechanism post brexit for CAP payments is complex. From CIPFA's perspective CAP payments are received and distributed by the public sector, however the scheme benefits farmers and is not directly related to core provision of services or public financial management issues. With that in mind, CIPFA has restricted its comments to observations on concepts and ideas that should be considered for any post brexit funding model.
- 4.9 Our research indicates there is concern over whether or not the current system of Agricultural support payments through CAP is fit for purpose.<sup>13</sup> The process of brexit therefore provides the UK with an opportunity to reassess and radically rethink the system of agricultural support to where it is most needed and to support objectives in the areas of sustainability of farming, environmental concerns, innovation and efficiency as well as healthy consumption.<sup>14</sup>
- 4.10 The concepts and principles underpinning any new model of funding should include consideration of the following:
- There should be no erosion of the Welsh Governments devolved powers for Agriculture. In fact, depending in the nature of the future relationship with the EU and wider trade requirements, Wales should have flexibility to develop Welsh specific funding practices based on its own objectives for the sector.
  - Nationally there should be agreement of a new policy for agriculture support. The scope of this policy revision should include the current system of area based direct farm payments,

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<sup>13</sup> The Future of the CAP: An urgent need for a truly sustainable agriculture, land and food policy, European Environmental Bureau (EEB) – September 2017

<sup>14</sup> The Future of Farming: UK agricultural policy after brexit - A Policy Network Paper, January 2018

with a view to addressing concerns over its inefficiency and fairness.<sup>15</sup>

- Policy measures need to be developed that promote rural sustainability alongside environmental protection, farming innovation and efficiency, as well as protecting the biodiversity of our eco system. There should be clear links from these policy objectives to payments.

## Research

- 4.11 Research funding in the UK can come from a wide range of sources.<sup>16</sup> These range from the public sector, also a large amount of funding for research comes from non-public organisations. These include charities, the European Commission and industrial and commercial organisations in the UK and overseas. This is mostly in the form of grants and contracts for specific research projects.
- 4.12 Public sector funding is co-ordinated in the UK through seven Research Councils, Innovate UK and Research England. Wales also has a number of funding bodies providing research funding supporting higher education in Wales and health and social care. The UK bodies are now under the umbrella of UK Research and Innovation which operates a combined budget of more than £6bn.<sup>17</sup>
- 4.13 In essence the UK infrastructure for funding research is in place across both public and private sectors. Evidence available would strongly suggest that research work is not like trade or finance.<sup>18</sup> High-quality research partnerships may be enabled by international agreement, but they are implemented via the willing and mutually beneficial agreement of principal investigators and their research groups.
- 4.14 With that in mind, CIPFA support the view that post brexit, research and innovation funding should continue to be kept at arm's length from government and that decisions about what to spend research funds on should be made by researchers rather than led by politicians.<sup>19</sup>
- 4.15 CIPFA would see a positive role for government in ensuring and facilitating international research collaboration, both outside the EU and with EU countries and institutions. This could include:
- Better information on the capabilities and research strengths of both UK-based researchers and research organisations and potential collaborators;

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<sup>15</sup> Greenpeace (2016). Common Agricultural Policy: Rich List receive millions in EU subsidies.

<https://unearthed.greenpeace.org/2017/06/30/rich-list-billionaires-scoop-millions-farm-subsidy-payments/>

<sup>16</sup> Examples can be sourced from the University of Cambridge Research Operations Office -

<https://www.research-operations.admin.cam.ac.uk/major-funders>

<sup>17</sup> UK Research and Innovation - <https://www.ukri.org/about-us/>

<sup>18</sup> Universities UK: International research collaboration after the UK leaves the European Union, April 2017

<sup>19</sup> Maintaining what is known as the [Haldane Principle](#) currently in place in the UK.

- the need to better understand and mitigate cultural barriers to international research collaborations; and
- the importance of both policy and funding stability in nurturing effective research partnerships need to be recognised.

4.16 Maintaining or increasing the level of research funding is important in the context of economic growth post brexit. This includes supporting developments in health, education and other spheres underpinning the long-term wellbeing of society.

4.17 While the final deal on the future relationship with the EU post brexit is not concluded, it would be important for the Welsh Government to raise the question of access to EU research funding and collaboration post brexit in the deal. If access to funding is not available, there should be a case made to increase the funding to UK based research funding bodies to ensure no diminution of funding post brexit.

## Welsh Government Finance Committee evidence -

### Response from Professor Janet Dwyer, Director of the Countryside and Community Research Institute at the University of Gloucestershire

The Inquiry's Terms of Reference are:

1. to assess the financial planning for replacing EU funding streams in Wales, and what is being done to prepare for different potential scenarios around levels of funding and administrative responsibility.
2. to explore 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.

As an independent academic with no formal or contractual relationship with the Welsh Government, I do not regard myself as able to comment on point 1 above. On this topic I can merely note that I am aware of the Government's several working groups established to help plan for the post-Brexit policy needs of Wales, in which government officials and a wide range of stakeholder bodies are meeting regularly to discuss issues, assess needs and plan together. This appears to me to be a very sensible response to the current situation of considerable uncertainty in respect of possible future circumstances.

I therefore confine my comments to issues pertinent to point 2, where I have some research insights and experience that might be relevant to the Committee's deliberations. My points concern **principles of effective decision-making, policy design and policy delivery** drawn from over 30 years of evaluating policies pursuing rural economic, environmental and social goals, and particularly policies targeting farming and sustainable land management, also sustainable rural development including LEADER, in the UK and across Europe.

In sum, I believe the most important points to recommend for the future administration of rural funding streams would be as follows.

1. Looking ahead, there is a need **to restore confidence in the rationale and the legitimacy of future support to farming and environmental land management**, thereby to reaffirm a positive funding relationship between citizens and rural actors, particularly in land management and rural development. Current EU funding streams have been delivered through increasingly complex and remote systems in which beneficiaries have had diminishing trust or confidence. There needs to be a shift away from opaque handouts with draconian controls driven too much by an emphasis upon fixed rules and penalties with insufficient regard to notions of proportionality and fairness, to respectful exchange based upon a long-term agreed relationship, rewarding fairly and intelligently and sanctioning cost-effectively.
2. **There are important opportunities to use local and expert knowledge to 'simplify' administrative systems and regulatory delivery.** A shift in this direction would enable a wider community of stakeholders to develop ownership of the principles of good administration and sound regulation, leading to enhanced commitment from actors, leaders, innovators and facilitators, to make the system work in a transparent and appropriate way, sensitive to variability in local circumstances and conditions. If these tactics are adopted, simplification in delivery need not mean naivety or standardisation in processes or outcomes, which could otherwise reduce the value for money of policy initiatives.

3. Public sector administrative and regulatory bodies should recognise that their funding is intended to be enabling, for local businesses and communities who seek it. This suggests a **need for policy makers to be more willing to share risks and responsibilities alongside beneficiaries, recognising the element of risk that is inevitable in business and community development initiatives and projects.** A more enabling environment would be fostered by ensuring that:
  - a. schemes or initiatives are run by long-term delivery staff / agents, who offer continuity of contact with individuals, groups and businesses.
  - b. funding decisions involve transparent processes, but allow staff to apply discretion wherever this is needed to reflect specific local circumstances and situations.
  - c. delivery teams and decision-making processes incorporate a greater degree of partnership and co-design with stakeholders and beneficiary groups, recognising how this can help to identify the most cost-effective way to achieve desired outcomes.
  
4. Stakeholders, particularly those with less power and access to information, may struggle to engage effectively in shared decision-making. This can be a problem for any policies which are seeking to be inclusive, reaching out to disaffected or disadvantaged groups and individuals in rural areas. In these circumstances, **there is value in helping people to become more effective partners in future policy design and delivery: often this takes creativity and time, but relatively little money.** It is possible to sponsor events; offer advice; provide opportunities for businesses / communities to exchange ideas; and target the less engaged - women, young people, poor, elderly – in order to gather their views and better understand what will motivate them to become involved. There are many good examples of projects and initiatives at local level that have worked with excluded groups to build their confidence to speak up, to identify needs and opportunities and to engage more fully with institutions and structures of governance, over time.
  
5. Regulation is most effective when it is broadly respected by those to whom it applies: i.e. when it is applied with intelligence and appropriately reflects the complexity of situations to which it applies. **Cost-cutting, remote, low-skilled and inflexible regulation of complex and highly variable social-ecological systems (as are found in agriculture) is not an effective way to operate.** Simpler approaches should not be simplistic, designed in an ‘off the peg’ way in order to keep immediate public sector costs to a minimum, without considering local context or longer term implications. These approaches frequently give rise to overly bureaucratic, inflexible, and inept schemes and policies, which distort aims and outcomes, producing false economies that may actually cost much more to rectify, in the long term.

Within the past decade, CCRI has conducted at least 12 medium to large-scale (n>100) farmer and/or farm family surveys and interviews on topics related to agri-food, agri-environment and rural policy. We have hosted and facilitated numerous stakeholder and beneficiary workshops to discuss various aspects of CAP and related policy design and delivery. In all these empirical data-gathering exercises, the scale and force of farmer discontent with the current approach is a common feature. However we are equally convinced from this research evidence that, for the large majority of respondents, it is not the principle of regulation which is contested, but the way in which regulation and control of applications for aid and beneficiaries of CAP funding are approached through administration and checking processes, which cause most concern. These include:

- using strict, measurement-based empirical indicators when determining compliance and eligibility for payment, which must be verified by in-field or remote assessment techniques

within which there is unavoidable scope for error due to the highly variable nature of the biophysical terrain. Errors in measurement or interpretation generate long chains of correspondence within which these details are disputed, clarified, refuted, revised, etc. – wasting considerable time and energy by both regulator and regulated. The negative impact of this is then magnified by linking these ‘simple’ judgements to significant penalties and an anonymous or de-personalised process through which beneficiaries are informed that they have been found in breach and will have these penalties applied.

- heavy requirements in respect of supporting evidence and multi-staged processes when beneficiaries are applying for rural development funding, meaning that many engage commercial consultants to help them build and present their case. This can potentially distort the application – i.e. where consultants, anxious to maximise their and their clients’ ‘return’ from these processes, focus upon securing maximum grant aid rather than maximum additionality, from an investment process or multi-annual agri-environment contract. It can also encourage over-capitalisation among the businesses aided.
- A feeling of imbalance in respect of the risks associated with payments and claims, such that beneficiaries are exposed to considerable risk in respect of e.g. payment delays, disputes, errors, etc. while regulatory authorities do not tolerate these behaviours on the part of existing or potential beneficiaries.

The policy design places emphasis upon short-term and immediate cost-saving administrative tactics (using low-grade staff or highly financially- and time-constrained out-sourced contracts to third parties, ‘simple’ rules, limited time to engage with beneficiaries). An alternative, more cost-effective tactic is to provide a higher quality of service through more investment in human and social capital, fostering more trust which reduces the incidence of errors, apparent non-compliance, delays in assessment, and related complaint and dispute. This also offers scope to develop elements of self-regulation and/or peer pressure among beneficiaries in respect of compliance, which can reduce the burden on the public authorities.

The CCRI team recommended an approach such as this as a way to enhance the added-value of the socio-economic measures of the RDP in England in both 2007-2013 and 2014-2020 programme evaluations (with ADAS and Hyderconsulting). It was also recommended in the CCRI’s evaluation of Pillar 1 cross-compliance conditions in England, undertaken with FERA.

Another key element in designing and delivering more effective regulations and policies is applying the principle of subsidiarity to enable more flexible local co-design and delivery of agreed high-level goals. Governments can achieve this by agreeing to fund multi-annual, multi-partner strategic projects, in place of individually-negotiated contracts with individual (farm) businesses, to support sustainable land management. The example of co-operative agri-environmental schemes in the Netherlands shows how such an approach can significantly reduce the public sector administration burden whilst still freeing up individual farmers to make their own choices about how much they can contribute, where and for what level of financial reward. (See [www.pegasus.ieep.eu/resources-list#presentations](http://www.pegasus.ieep.eu/resources-list#presentations) , Presentation of Ard Mulders at the NL regional workshop, November 2017).

Classically, when farmers receive subsidies from the CAP under either Pillar 1 aid or under agri-environment schemes, an individual farm business is legally the ‘final beneficiary’ of that aid, and it is therefore that individual farm business that bears the responsibilities for meeting the terms of the contract, monitoring and reporting. That puts quite a lot of admin burden on the individual business and it also means the public body is dealing with often very large numbers of quite small contracts for aid, every year, which is also a big admin burden. Finally, it means that quite a lot of small farm businesses get audited, every year, to meet the 5% requirement. Exactly the same phenomenon can apply to grants given to rural businesses, particularly if they are small (micro) businesses, which is

the typical situation in rural areas. The admin burden and compliance requirements on both public and private sides are comparatively high.

However, the public funding body can also decide to contract with a 'final beneficiary' which is the manager of a 'project' with a strategy, targets and deliverables to achieve over a number of years. That project manager might be a multi-actor partnership, which takes a sum of money and then designs and delivers its own individual agreements with farmers, to provide the targets and deliverables. The public funder doesn't then have to monitor and audit compliance at the level of the individual farms – it instead monitors and audits compliance of the contracting partnership with the terms of its contract, to deliver the strategic-level 'project'. The project managers have, of course, to be able to guarantee that they can deliver the agreed targets and deliverables, but exactly how they do that, by dividing up the funding among a range of more local actors under a variety of contractual or non-contractual arrangements, is their responsibility.

This effectively gives the public funders an easier job of monitoring, paying and auditing a fairly large project, and it takes away the burden of admin on the individual farm or other micro-businesses that are collectively helping to deliver the project's targets and deliverables. The large SWHLI and SWARM projects funded under RDPE 2007-13 were like this, were widely supported and were identified in our ex-post assessment as the most cost-effective approach for socio-economic funding under the Programme. I would suggest that this approach be more widely considered for application to a future agri-food and rural funding scheme in Wales. The partnerships, their composition and geographical scale would require further development to ensure that all key parties were happy to work together in this way, but I believe the approach has many merits. It enables strategic level goals to be built into what is effectively a more local design and delivery process, and it would still allow high-level monitoring and evaluation of impacts and outcomes.

May 2018.

## *Preparations for replacing EU funding for Wales*

### Response to the Finance Committee of the National Assembly of Wales's Call for Evidence

Nicolo Bird

David Phillips

*Institute for Fiscal Studies*

#### **Note**

David Phillips is an Associate Director at the Institute for Fiscal Studies, with responsibility for leading analysis of local and devolved government finance, and taxation in developing countries. Nicolo Bird is a project research officer at the Institute for Fiscal Studies.

However, the views and opinions expressed here are those of the authors only; the IFS has no corporate views.



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## Summary

This note is a response to the consultation from the Finance Committee of the National Assembly for Wales concerning preparations for replacing European Union (EU) for Wales, focusing on the options available for how these funds will be distributed across the UK (both to Wales and within Wales).

The key points made by this note are:

- EU funds are currently either pre-allocated to member states or the case of structural funds particular regions within them according to formulae based on state/regional characteristics; or are competitive funds that can be bid for by governments, universities, businesses and other organisations.
- Wales is due to receive over 5 billion Euros in funding from the pre-allocated funds for the 2014–2020 EU budget period, which is more than 3 times the average per capita figure for the UK as a whole, reflecting high levels of regional development funding (particularly for West Wales and the Valleys). It has recently received less than a population share of funds from some of the main competitive funds.
- The UK (and therefore Wales) will continue to operate existing EU schemes until at least the end of 2020 (and perhaps June 2022 in the case of farm payments). But beyond that decisions will need to be taken about whether to replace these schemes, and if so, the level of funding and the way that funding is allocated.
- Some have suggested the Barnett Formula could be used to allocated replacement funding post-Brexit. The Barnett Formula is simple and well understood. The Welsh Government also has significant flexibility over how it spends annual increments to its funding as a result of the application of the Barnett formula. But the formula has design flaws which mean its use the allocation of funding to replace current EU schemes should be avoided. In particular it takes no account of differences in population growth, or differences in the initial levels of funding. The latter results from its use of nominal *cash-terms* changes in English budgets per person as the basis of changes in allocations to devolved governments. This can lead to spending levels to converge between England and the devolved nations: the so-called Barnett squeeze, which could be severe in this instance.
- An Indexed Per Capita (IPC) formula could be used that avoided this problem. But the UK and Welsh governments may want to allocate funding in ways that account for more than just relative population growth and initial levels of funding. This could include using local, regional or national level characteristics, and competitive bidding processes. There are also decisions to be taken as to whether funding schemes will be designed and operated at the UK level, devolved government level, or some other level (e.g. city-region).
- Different ways of allocating money would involve different incentives – including for growth and development and environmental improvements. They may also be associated with different outcomes. The optimum allocation method and governmental level for allocation decisions is likely to differ between funding purposes (e.g. between regional development funds and research funds).

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## 1. Introduction

This note is a response to the consultation from the Finance Committee of the National Assembly for Wales concerning options to replace current European Union (EU) funding, and exploring different approaches to administer replacement funding streams in order to benefit Wales. This response covers the following areas:

- How existing EU funds are allocated in the UK and how much Wales receives.
- Assessing the impact and suitability of allocating EU funds using the same method as the Block Grant received from HM Treasury, which utilises the Barnett formula.
- Some of the pros and cons of other options in allocating funding post-Brexit, including the administrative issues and choices posed.

At the start, it is worthwhile highlighting that the likely ending of the UK's current contributions to and receipts from the EU budget is only one of the effects Brexit is expected have on the UK's (and hence Wales') public finances. Indeed, if Brexit affects the size and composition of the economy, the effect of this on the public finances (via both spending and revenues) could be larger than the impact of changes in contributions to and receipts from the EU budget. Indeed, in its assessment in the 2016 Autumn Economic and Fiscal Outlook, the Office for Budget Responsibility (OBR) responsibility forecast that in 2020–21, the economic effects of Brexit would lead to an increase in borrowing of £15 billion – larger than the UK's net contribution to the EU budget of around £10 billion.<sup>1</sup> Note also that in the draft agreement with the EU, the UK has agreed to take part in EU programmes until the end of 2020, and continue contributions to the EU for liabilities incurred up until the end of this period. The OBR estimates that incorporating these, the UK will still be contributing a net £5 billion to the EU in 2022–23.<sup>2</sup> This wider fiscal context should be borne in mind when considering the likely impact of Brexit on government spending in Wales, and the funding available for schemes to replace existing EU programmes.

## 2. An overview of major EU funding schemes

Broadly speaking, there are two different types of funding that the UK and Welsh governments may want to replace post-Brexit: **pre-allocated funds**, such as the common agricultural policy (CAP) and the structural funds for economic development, that are agreed to at the outset of the EU's seven year budget cycle (the multi-annual finance framework (MFF)), and; **competitive funds**, e.g. Horizon 2020 and Erasmus+, which involve competitive bidding for funding against other projects across the EU.

Pre-allocated funds are largely aimed at disadvantaged geographical areas or economic sectors. Therefore, pre-allocated funds are most likely based on some characteristics

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<sup>1</sup> Office for Budget Responsibility, *Economic and Fiscal Outlook November 2016*, 2016, available at: <http://obr.uk/efo/economic-and-fiscal-outlook-november-2016/>. Note that the £15 billion figure was based on a relatively smooth transition – in a 'no deal' scenario, in which the UK reverted to World Trade Organisation rules, the economic effects could be much larger. And they could continue grow beyond 2020. See, for instance, Dhingra et al, *The costs and benefits of leaving the EU: trade effects*, Economic Policy, Vol 32. Pp 651–795: <https://academic.oup.com/economicpolicy/article-abstract/32/92/651/4459728?redirectedFrom=fulltext>.

<sup>2</sup> Office for Budget Responsibility, *Economic and Fiscal Outlook March 2018*, 2018, available at: <http://obr.uk/efo/economic-and-fiscal-outlook-march-2018/>.

linked to specific needs or priority areas (for instance, promoting growth in less developed regions, or investing in agricultural sustainability). Conversely, competitive funds are aimed to support the best projects available across Europe, sometimes regardless of needs or location. For example, high-quality research might have significant positive externalities from which the entire EU - and indeed world - can benefit.

Table 1 shows the amount of EU funds pre-allocated to the UK over the 2014–2020 period. The sources of EU spending are divided into two broad categories: **European Structural and Investment Funds (ESIFs)**, and **Common Agricultural Policy (CAP)**.

**Table 1. Pre-allocated EU funding in the UK over the 2014–20 period**

	<b>€bn 2014-20</b>
<b>European Structural and Investment Funds</b>	<b>17.2</b>
European Regional Development Fund	5.8
European Social Fund	4.9
Youth Employment Initiative	0.2
European Maritime and Fisheries Fund	0.2
European Agricultural Fund for Rural Development / CAP, Pillar 2	5.2
<b>European Agricultural Guarantee Fund / CAP, Pillar 1</b>	<b>22.5</b>

Source: Table 1 from Ayers and Brien (2018).

### Structural funds

The **European Regional Development Fund (ERDF)** and the **European Social Fund (ESF)** together are referred to as the **structural funds**. The ERDF is focused on innovation and research, support for SMEs, improving digital infrastructure and decarbonising the economy. Meanwhile, the ESF funds projects to increase labour market mobility, education and skills and enhance institutional capacity. How these funds are spent depends on both decisions taken at a European and national (and sub-national) level. After initial allocations of funds are made by the EU, member state governments (and sub-national governments to which authority is devolved to) have significant autonomy in managing the allocated funds.

Structural funds are allocated by the EU to regions within member states largely depending on their GDP per capita:

- Regions with GDP per capita below 75% of the EU average are designated as 'less developed regions' and are receiving 52% of total structural funds in the current MFF period covering the period 2014–2020. West Wales and The Valleys is included in this category;
- Regions whose GDP per capita is between 75% and 90% of the EU average are designated as 'transition regions' and are receiving 12%;
- Regions with GDP per capita above 90% of the EU average are designated as 'more developed regions', receiving 16%. East Wales is included in this category.

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There are other elements to the rules for determining exact regional entitlement to these funds which depend on a combination of regional employment rates, number of unemployed people, population size and density, and educational attainment.<sup>3</sup>

Importantly, these rules can create big discontinuities ('cliff-edges'), as slight GDP or GNI per capita increases can lead to dramatic drops in funding. The discontinuity between less developed and transition regions is particularly salient. Governments can however re-balance how structural funds from the EU formula are allocated with the consent of the European Commission. For instance, during the 2014–2020 allocation of structural funds, the UK Government deviated from the framework set out by the EU formula by re-allocating funds to devolved governments, due to the considerable budget cuts to these administrations that would have otherwise occurred following the new EU formula used for that MFF period.

### Common Agriculture Policy

**Pillar 1, the European Agricultural Guarantee Fund**, supports farmers' incomes in the form of direct payments and market-support measures according to the regulations set by the EU, while **Pillar 2, the European Agricultural Rural Development Fund**, provides more flexible support to promote development objectives in rural areas. In Wales, Pillar 2 of the CAP is named the **Welsh Rural Development Programme**.

CAP funds are allocated to member states and are then distributed within the member state. There is also an option to transfer funding to, or from, their respective national rural development allocations. In the UK, CAP budgets are first allocated by Westminster, after which these are administered by the devolved governments. They can then decide which of the various direct payment schemes to finance from this allocation subject to certain legislative limits. There are also a set of fixed rules that apply to all member states:

- 30 percent of payments must be conditional on farmer engaging in 'greening activities' covering at least 5 percent of the eligible area.
- Member states must increase payments to young farmers by at least 25 percent, though these payments must not exceed 2 percent of the total spending on direct payments.
- Member states must undertake some form of redistribution between those entitled to large and small direct payments.<sup>4</sup>

The joint aims of the two Pillars of the CAP are to: support viable food production, with a particular focus on income support for farmers; promote sustainable management of agricultural land, including boosting biodiversity and reducing greenhouse gas emissions; and lastly, boost employment and growth and tackle poverty in rural areas. It is worth noting that although the first pillar is entirely financed by the EU, the second pillar

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<sup>3</sup> The detailed selection criteria for allocating structural funds can be found in Annex VII of the official regulation: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=EN>

For a summary of the selection criteria, see Section 4.1 in Browne, J., Johnson, P. and Phillips, D., 'The budget of the European Union: a guide', IFS Briefing Note BN181, 2016 available at: <https://www.ifs.org.uk/publications/8225>.

<sup>4</sup> See Section 4.2 of Browne, J., Johnson, P. and Phillips, D., *ibid*, 2016.

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programmes are co-financed by EU funds, and regional, national or local funds.<sup>5</sup> Although the rules for determining how much each country receives from the overall CAP budget are not published, allocations to EU member states for direct payments were historically based on farm production. However, this practise was ended in the early 2000s, and allocations are converging towards a common amount per hectare of agricultural land.<sup>6</sup>

### Other Funds

Other pre-allocated investment funds include the **Youth Employment Initiative (YEI)** and the **European Maritime and Fisheries Fund (EMFF)**, which promote labour-market outcomes for under 25 year olds and support fishing communities, respectively.

In addition to the pre-allocated funding for Member States to manage, there are many different **competitive funds** that connect programme participants directly to the source of funding (there are no designated country allocations). In general, organisations apply to agencies of the European Commission for funding from these streams following calls for applications. Some of the most important programmes of the 2014-2020 period are **Horizon 2020 (H2020)** with a budget of €77 billion, the **Connecting Europe Facility** with €22 billion and **Erasmus+** with €15 billion.<sup>7</sup>

## 3. Current EU funding in Wales

Table 2 shows the main areas of pre-allocated European funding in Wales between 2014 and 2020, which in total amounts to just over €5 billion.

The original budget allocated to Pillar 1 of the CAP was €2,245 million. However, the Welsh Government decided to take advantage of the flexibility allowed and shift 15% of this (€338m) to Pillar 2. This left an estimated budget of €1,907m for the EAGF, and increased EU funding to the Welsh Rural Development Programme (Pillar 2) up to €692m<sup>8</sup>. While Pillar 1 is entirely funded by the EU, matching contributions (amounting to €315m) from the public and private sector in Wales are required alongside this EU funding for Pillar 2.

For Pillar 1, the Welsh Government has been transitioning to a flat payment rate per hectare, with this due to be completed by 2019. England implemented similar flat rate schemes in 2015.<sup>9</sup> To introduce a redistributive element to the scheme, once payments exceed €150,000 every €1 notional increase in entitlement is reduced to €0.85. Once

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<sup>5</sup> See: [http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU\\_3.2.6.html](http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_3.2.6.html).

<sup>6</sup> The distribution is based on historical entitlements but with an adjustment over the current MFF period such that member states who previously received less than 90% of the average payment per hectare make up one third of the gap to 90% of the average by 2020, and all member states receive at least €196 per hectare in the same year. This is offset by a reduction in the per hectare amount for those member states who receive more than the EU average.

<sup>7</sup> On top of the abovementioned programmes, the EU's budget also provides funding to other areas, where it often shares responsibility with national governments including: science and technology; market regulation; consumer protection; transnational policing; border control, migration and asylum; and foreign aid. Central administrative costs make up around 6% of the budget – a figure which excludes the costs countries themselves bear to administer EU spending and policy.

<sup>8</sup> Welsh Government, *Common Agricultural Policy Reform: Wales Rural Development Programme 2014-2020 Final Proposals*, 2014: <http://gov.wales/docs/drah/consultation/140219rdp20142020finalproposalsen.pdf>

<sup>9</sup> European Commission, *Direct Payments: the Basic Payment Scheme from 2015*, 2015: [https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/internal-convergence\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/internal-convergence_en.pdf).

payments exceed €200,000, this falls to €0.70 above that threshold; above €250,000 this falls to €0.45 above that threshold, and payments are subject to an overall cap of €300,000.

Pillar 2, the Welsh Rural Development Programme provides funding to many different projects, including LEADER (a cooperation scheme to work with people from rural areas in Wales, UK or Europe), Glastir (a sustainable land management scheme), PROSOIL (research for soil health and management), and Hybu Cig Cymru – Meat Promotion Wales.

**Table 2. EU Funding in Wales, 2014-2020**

	€m 2014–2020
<b>European Structural and Investment Funds</b>	
European Regional Development Fund	1,409
European Social Fund	1,007
European Maritime and Fisheries Fund	20
Welsh Rural Development Programme / CAP, Pillar 2	692
<b>European Agricultural Guarantee Fund / CAP, Pillar 1</b>	1,908
<b>Total</b>	<b>5,016</b>

Note: The figures account for €337m (15% of the EAGF budget) transferred from Pillar 1 to Pillar 2 of the CAP.

Sources: European Union Open Data Portal; UK Government, 'Guidance: European Maritime and Fisheries Fund (EMFF)', 2016; Welsh Government, *Common Agricultural Policy Reform: Wales Rural Development Programme 2014-2020 Final Proposals*, 2014.

€1,409 million was allocated to the ERDF to promote economic development projects in Wales, while €1,008 million was allocated towards the ESF. This puts the Welsh budget for structural funds just above €2.4 billion over the seven-year period, which represents around 22 percent of funding from the EU towards structural funds in the UK.

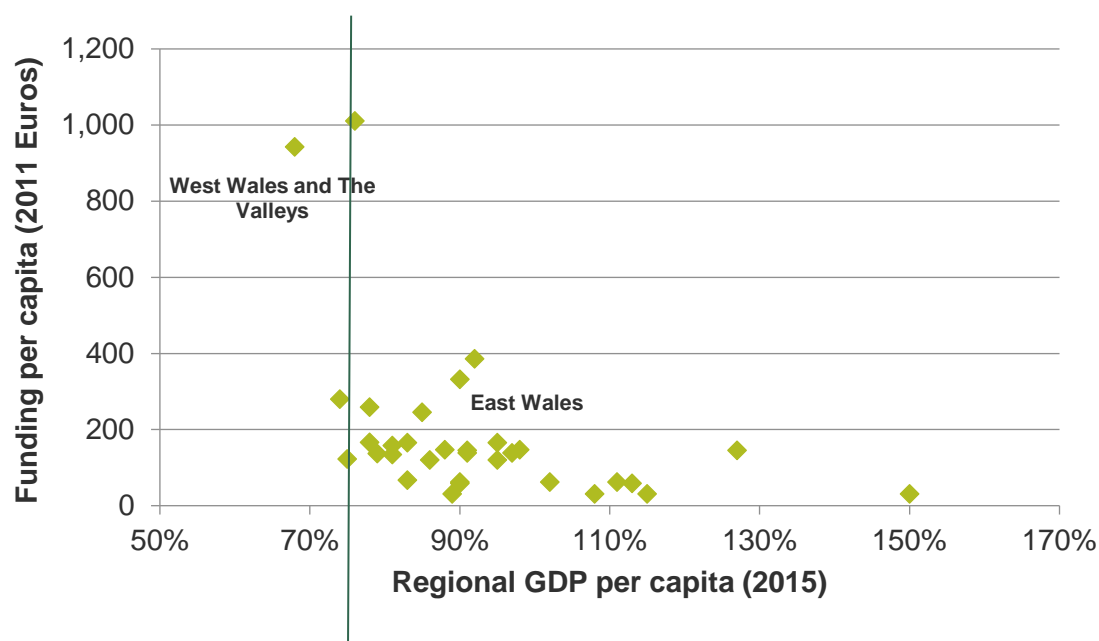
As explained in the previous section, structural funds are targeted heavily towards disadvantaged regions, and therefore a larger budget is allocated to West Wales and The Valleys (€2.01 billion) than East Wales (€406 million), due to the former being categorised as a 'less-developed' region, while the latter is 'more developed'. In per capita terms, West Wales and The Valleys receives around €135 per person per year from structural funds, East Wales receives around €50 per person per year, while the UK average is around €24 per person per year.

Major allocations of structural funds in Wales include:

- Funding for apprenticeships and traineeships, amounting to £233 million in West Wales and the Valleys and £48 million in East Wales.
- Funding for the Communities4Work, Bridges2Work and Active Inclusion Wales programmes that support the long-term unemployed into work, consisting of £45 million in West Wales and the Valleys and £9 million in East Wales.

- The Wales Business Fund which provides financial support to small and medium sized businesses (via Finance Wales), with a £75 million contribution for West Wales and the Valleys and £10 million for East Wales.
- £81 million for road and rail schemes in West Wales and the Valleys.
- £38 million for town centre regeneration in West Wales and the Valleys.
- £28 million to promote tourism by creating “must visit” destinations in West Wales and the Valleys.

**Figure 1. Regional GDP per capita (2015) and funding per capita (2014–2020)**



Note: Data excludes London and Scotland (except Highlands and Islands).

An estimated €20m was also allocated to the European Maritime and Fisheries Fund.

Information on EU competitive funding secured by Welsh organisations is relatively scarce. However, Wales has slightly underperformed in securing competitive funding relative to UK averages. As of September 2017, Welsh organisations secured €83 million of Horizon 2020 funding, which represents 2.1 percent of the total UK share<sup>10</sup>. Wales has done better in securing Erasmus+ funding at €29 million over the 2014–2017 period, which represents 5.7 percent of the UK share.<sup>11</sup>

<sup>10</sup> UK Government, *UK's participation in horizon 2020: September 2017, 2017*: <https://www.gov.uk/government/statistics/uks-participation-in-horizon-2020-september-2017>

<sup>11</sup> Erasmus+ statistics: <https://www.erasmusplus.org.uk/statistics>.

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## 4. Assessing post-Brexit funding options

### 4.1. Calculating future budget changes using the Barnett formula

The draft agreement between the EU and UK on the UK's withdrawal from the EU states that the UK will continue to take part in EU programmes until the end of the current MFF in December 2020.<sup>12</sup> Furthermore, the UK government's environment secretary has said that direct payments to farmers would be guaranteed at their current level until the 2022 UK general election in England, with funding for devolved governments to continue with their schemes until this date too. However, beyond that point there are big decisions to be taken about how to allocate any funding that will replace these EU schemes. In this section we briefly discuss the Barnett formula and its appropriateness as a mechanism for allocating funding that is returning from the EU. We do this because the Scottish Parliament's Finance Committee raised this as a possibility in its recent call for submissions to its Funding of EU Competences inquiry.<sup>13</sup>

#### What is the Barnett formula?

The **Barnett formula** was introduced to Wales in 1980 to mechanically determine the year-to-year changes in the block grant funding the devolved governments receive from Westminster. Since the devolution of a number of additional taxes, commencing in 2015-16, this block grant has been adjusted to account for these new revenue streams. However, the Barnett formula continues to be used to determine the changes in the *underlying* block grant (prior to these adjustments) each year.

The underlying block grant in any year consists of the prior year's block grant plus a change in the amount calculated using the Barnett formula. Under the formula, the change in the block grant depends on changes in the departmental expenditure limits (DELs) of UK government departments; the share of that department's functions that are devolved to Wales (summarised by a 'comparability percentage'); Wales' population as a proportion of England's; and since 2018-19 a new needs based factor of 105%.<sup>14</sup>

$$\begin{array}{ccccccc} \text{Cash change in} & & & & & & \\ \text{DEL of UK} & & & & & & \\ \text{government} & & & & & & \\ \text{department} & \times & \text{Department's} & & \text{Wales'} & & \text{Needs based} \\ & & \text{comparability} & \times & \text{population} & \times & \text{factor for} \\ & & \text{percentage} & & \text{share} & & \text{Wales (105\%)} \end{array}$$

The overall change is then the sum of the changes implied by changes in the DEL of each UK government department.

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<sup>12</sup> Source: 'Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community', available at: [https://ec.europa.eu/commission/publications/draft-agreement-withdrawal-united-kingdom-great-britain-and-northern-ireland-european-union-and-european-atomic-energy-community-0\\_en](https://ec.europa.eu/commission/publications/draft-agreement-withdrawal-united-kingdom-great-britain-and-northern-ireland-european-union-and-european-atomic-energy-community-0_en).

<sup>13</sup> See: <http://www.parliament.scot/parliamentarybusiness/CurrentCommittees/107948.aspx>.

<sup>14</sup> This was agreed as part of Wales' new fiscal framework, in an effort to put a "floor" in the level of funding for Wales relative to England.



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### Why the Barnett formula is inappropriate for allocating replacement funding

The Barnett formula therefore aims at providing £1.05 per person change in funding for the Welsh Government for every £1 per person change in funding for comparable public services in England. This figure is arbitrary, and there are other flaws which mean that **the Barnett Formula is inappropriate for use in allocating funding to replace existing EU funding streams**. To summarise, the key issues with using the Barnett formula are:

- First, the Barnett formula simply calculates changes in funding year-to-year. **It does not say how the initial level of funding should be determined.**
- Second, if initial allocations were similar to existing EU allocations, Wales' allocation per person would be substantially higher than England's. If the replacement funds increased in cash terms over time, the equal pounds-per-person increase provided by the Barnett Formula would represent a **smaller percentage increase in Welsh funding**. Thus, over time, funding per person in Wales would converge towards funding per person in England. This convergence is known as the **'Barnett Squeeze'**.
- In practice, lower population growth in Wales has largely prevented the "Barnett Squeeze" from happening for existing funding allocated according to the Formula. This relates to another flaw in the formula: **it does not properly take into account (differences in) population growth**.<sup>15</sup> Under the Barnett formula, the funding per person received by Wales would be lower the higher is population growth relative to England's.

So over time, the use of the Barnett formula could lead to a relative squeeze on the amount of funding Wales receives to replace EU funding; and the amount received per person would be sensitive to relative population growth in Wales. This all seems undesirable.

To illustrate the problem, Figure 2 shows the projected effect of using the Barnett Formula to calculate replacement funding in both Wales and England between 2020 and 2050. Estimates are obtained by using the current annual budgets from pre-allocated EU funds from the 2014–20 period, and projecting forward on the basis of:

- Office for National Statistics Population Projections;<sup>16</sup>
- An assumption of 4% annual nominal growth in spending on these replacement schemes in England;
- And a 2% annual inflation rate.<sup>17</sup>

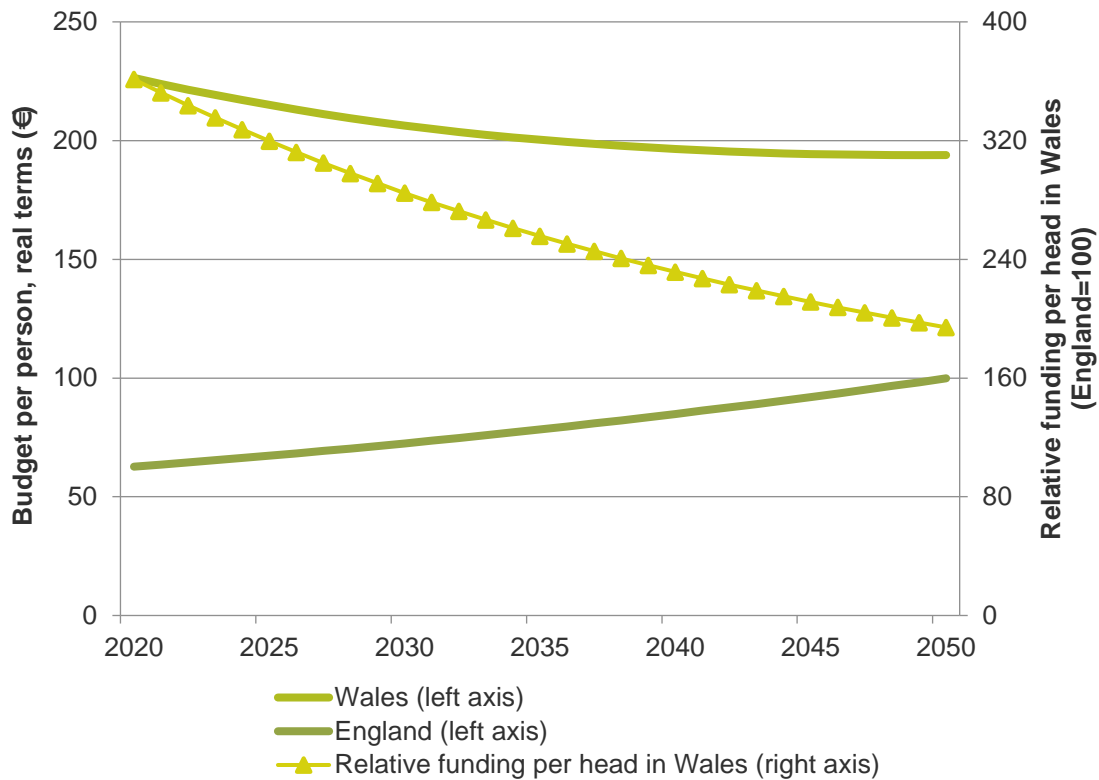
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<sup>15</sup> This reflects the fact that while the population shares used to calculate *changes* in the block grant are updated, the existing *level* of the block grant is not updated as relative population shares change.

<sup>16</sup> Office for National Statistics (ONS), *All data related to National Population Projections: 2016-based statistical bulletin*, 2017 [accessed April 26<sup>th</sup> 2018]: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2016basedstatisticalbulletin/relateddata>

<sup>17</sup> The combined assumption of 4% annual nominal growth in spending and 2% annual inflation implies that spending on these replacement schemes in England would roughly keep pace with annual real-terms economic growth projections of around 2%.

**Figure 2. Projected change in budget allocation per person using the Barnett formula**



Source: Authors calculations using data sources cited in the text.

The left axis shows the change in annual funding per person (in real terms) in both England and Wales. From €226 per person in Wales in 2020, **Wales would see EU-replacement funding falling in real-terms falls over time:** to €206 per person in 2030 and €196 per person in 2040 before it stabilises and in the very final year of the projection (2050) starts to slowly increase again. The average annual real-terms fall in real-terms funding per person would be 0.9% in the 2020s; 0.5% in the 2030s; and 0.1% in the 2040s.

**This is in contrast to the situation that would pertain under such a scenario in England.** Funding for schemes to replace EU schemes would increase by around 1.5% a year in real-terms, from €62 per person in 2020 to €100 per person in 2050.

As a result, overall funding per person in Wales would fall from 361% of the English level in 2020 to 194% of the English level in 2050. **Therefore the real-terms squeeze would be accompanied by an even bigger relative squeeze in funding, compared to England.**

These squeezes arises because the Barnett formula takes no account of the higher initial levels of funding in Wales – which means a given cash change translates into a much smaller percentage change – and is based on nominal changes rather than real-terms changes in funding. Note that the squeeze would be even larger if Wales’s population were not projected to grow slower than England’s, and the new 105% ‘needs’ factor in the formula had not been introduced for Wales: funding would fall to 181% of the English level by 2050.

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## 5. The pros and cons of different post-Brexit funding options

It would be possible to use an amended formula that did not suffer from the issues identified above. For instance, if one wanted to deliver the same percentage change in funding per person in Wales as in England, the **Indexed Per Capita (IPC)** formula used as part of Scotland's Fiscal Framework could be adopted.<sup>18</sup>

However, this is not the only option available. And the choice of how to *index* any replacement funds over time is just one of several choices that need to be made. Other key choices include:

- How to determine *initial level* of replacement funds for the UK as a whole, and how to allocate these funds between different parts of the UK, including Wales;
- Whether funding allocations are hypothecated for particular purposes (as under current EU programmes) or whether they become part of general funding;
- Whether existing political geographies are the most appropriate basis for any funding calculations and allocations or whether new political geographies should be used instead (e.g. based on functional economic areas).
- And whether the UK (or perhaps parts of the UK) continues to take part in particular European funding programmes.

Different options will have different pros and cons, and will entail different fiscal incentives for the replacement schemes. The best choice seems likely to differ between funding purposes (e.g. between regional development and general scientific research).

In this section we discuss the issues and options for different funding areas: regional development; agricultural funding; and research and innovation. We motivate this discussion by discussing the pros and cons of using the **IPC** method to index the replacement funding (putting to the side, to begin with, the other key decisions that need to be taken).

### The pros and cons of indexing funding using the IPC method

There would be a number of benefits from using the IPC approach to index the replacement funding over time:

- **Simplicity:** Similar to the Barnett Formula, it provides a quite simple mechanical framework that could help avoid disputes over year-to-year budget allocations.
- **Flexibility.** If based on the Barnett Formula, the funding increments provided under this approach could be spent by the Welsh Government (and other devolved governments) as it saw fit, providing maximum budget flexibility and discretion.

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<sup>18</sup> HM Treasury, Scottish Government, *The agreement between the Scottish government and United Kingdom government on the Scottish government's fiscal framework*, 2016, <https://www.gov.uk/government/publications/the-agreement-between-the-scottish-government-and-the-united-kingdom-government-on-the-scottish-governments-fiscal-framework>.

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- **Changes in population:** In contrast to the original Barnett formula, it would account for needs arising from population changes over time in Wales.
  - **No disincentives for growth:** By basing the formula on population growth and public spending in England, it doesn't create disincentives for economic growth that could arise under more complex formulas that took into account updated socio-economic conditions (note that this also applies to the Barnett formula).

However, there are also some more drawbacks worth considering. These include:

- **Needs and disadvantage:** By basing changes in funding only on changes in funding in England and changes in population, such an approach would not take account of changes in Wales's relative need for funding. For instance, if areas of Wales became relatively more economically disadvantaged, there would be no increase in funding for regional economic development (unlike under existing EU schemes).
- **Other policy objectives:** More generally, such a mechanical approach means the allocation to Wales would not really take into account the purpose for which the funding is ultimately being used for. This includes things like promoting economic growth, environmental sustainability, or more broadly areas which might have positive externalities. There could also be scope for more competitive or outcome-based criteria.

There is therefore a trade-off between simplicity, flexibility and discretion on the one hand, and targeting of funding at particular areas or particular outcomes on the other. We now discuss considerations related to these for the different policy areas currently funded by EU programmes.

### Options and issues for regional development funding

The first question to address is whether EU funding aimed at promoting economic development, particularly in disadvantaged regions, should be replaced by new UK or devolved government schemes. Related to this it will be important to consider what the objectives of any such funding are such as: promoting and supporting economic growth; reducing regional disparities; reducing intra-regional socio-economic inequalities; and promoting environmentally sustainable development; etc.

Alongside this it will be important to consider how any post-Brexit funding sits alongside other elements of UK and Welsh economic and regional policy. This includes schemes operated by the UK government (such as City Deals and the Industrial Strategy) and schemes operated by the Welsh Government (such as Prosperity for All, Enterprise Zones and Business Wales). Bachtler and Begg (2017), highlight how regional development policy has suffered from instability and inconsistency in approaches.<sup>19</sup>

There are further practical issues that would need to be addressed in designing regional funding policy:

- **What characteristics should be used for assessing 'need' for regional funding, and at what geographical level should such assessments take place?** As already

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<sup>19</sup> Bachtler, J. and Begg, I., Cohesion policy after Brexit: the economic, social and institutional challenges, *Journal of Social Policy*, Vol. 4, pp 745–763.

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mentioned, allocations of EU funding to regions are based on GDP per capita, as well as regional employment and unemployment rates, population size and density, educational attainment and geographical remoteness. An obvious question is therefore whether these are the right characteristics to base funding allocations on, or whether there are other characteristics that should be used. This could include measures of deprivation (such as the Index of Multiple Deprivation), inequality measures (such as inequalities in earnings, or household incomes) and updated measures more suitable for UK or Welsh contexts (such as different measures of population sparseness or geographical remoteness).

There is also then the question of the geographic level at which assessments should take place. Currently, allocations of EU funding are based on so-called NUTS2 regions, of which there are two in Wales: East Wales and West Wales and the Valleys. The larger the geographical areas used, the greater the extent to which there could be significant inequalities *within* areas. If it were felt economic disadvantage is determined by local characteristics, and that positive (and negative) spillovers between locales are fairly limited, assessment and allocation of funding to smaller geographical areas may be beneficial. On the other hand, if it were felt that spillovers are greater, and there are benefits from choosing from the bigger pool of potential projects larger areas can support, there may be benefits from keeping relatively large geographic areas. There would remain the question of whether existing geographies are appropriate or some other geographies – such as functional economic areas – would be more appropriate.

- **How redistributive/'targeted' should the funding be?** Current EU schemes have a high degree of targeting at areas with low levels of GDP per capita. This reflects the splitting of regions into three categories – less developed, transitional, and more developed based on their GDP per capita. In particular, there is a cliff-edge in support at 75% of GDP per capita: the threshold where regions move from “less developed” to “transitional” status. Figure 1 above illustrates this for the UK as a whole, with the two less developed regions (West Wales and the Valleys and Cornwall) receiving much higher levels of funding per capita than other regions. A system that was less redistributive across the UK and, in particular, did not have such a cliff edge, would likely see reductions in the level of funding Wales receives. Moreover, East Wales generally receives more funding than most areas with comparable levels of GDP per capita.

The question of how redistributive/targeted the funding should be links to its purpose: e.g. whether it is aimed at reducing geographical socio-economic inequalities, or boosting growth more generally.

- **At what level of government should decisions on allocations of funding to broad thematic areas and particular projects be taken?** Currently, for instance, the Welsh Government's European Funding Office decides which projects to fund. Is an all Wales body the right body to make such decisions. This approach contrasts with that in Scotland whereby the Scottish Government's Structural Fund Division makes allocations (each of more than €15 million) to other government departments, agencies and local authorities, structured around specific themes and aims. These organisations (termed 'lead partners') then allocate funds to particular projects and other organisations ('implementing partners').

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Post-Brexit there will be a decision to take about the most appropriate approach. Should strategic decisions be taken at a higher level (e.g. the UK level) or at a lower level (e.g. a regional level within Wales)? Should decisions about specific projects be taken at a higher or lower level than now (e.g. at UK Government level, or at sub-local authority level)? One benefit of taking decisions at a higher level is that it may allow better value for money and greater impact as the best projects from a wider geographic area will be considered and funded. However, taking decisions at a lower level may allow funding to be targeted more at particular areas, and local knowledge to be taken into account when allocating funds.

- **Should the funding be ring-fenced for developmental purposes or should the organisations (such as Welsh Government or local authorities) to whom funding is allocated have much more discretion over its uses?** Ring-fencing funding for projects with a clear focus on socio-economic development may aid in the evaluation and transparency of funds. However, allowing greater discretion would allow government bodies (such as the Welsh Government or (groups of) local authorities) to spend money on areas they deem to be local priorities. This could include services not generally thought of as being related to economic development (such as health, social care, or general education) but which nonetheless could have significant impacts on economic and more general wellbeing.
- **How frequently and to what extent should allocations be updated to account for changing socio-economic conditions of different areas?** Currently, EU funds are allocated for seven year periods based on characteristics measured several years prior to the start of the funding period: for the 2014–2020 period, these years were 2007–2009.<sup>20</sup> A new assessment is made prior to the start of each MFF period, and the characteristics (and often the rules) are updated at that point, which could lead to changes in the relative funding allocations for different regions. Damping arrangements mean that in the current 2014–2020 period, regions receive at least 60% of the amount they received during the previous MFF period if their updated characteristics imply they would otherwise receive less.

It would be possible to update the assessments more or less frequently under a replacement scheme. There is also the possibility of undertaking partial rather than full reassessments, so that changes in characteristics are only partially taken into account when updating funding assessments. A key trade off here is between redistribution/targeting on the one hand, and incentives on the other.<sup>21</sup> More frequent and fuller updates mean that funding is targeted more closely at areas based on the characteristics felt to reflect their 'need' for funding. But this also reduces the incentive for the public bodies allocated funding (such as the Welsh Government and local authorities) from taking action to improve socio-economic characteristics: such improvements see reductions in funding levels in future.

- **Is there a role for 'outcomes' as well as 'characteristics' in determining funding allocations?** One way to address this concern would be to base some of the funding on

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<sup>20</sup> There is provision for a reassessment based on GDP in the period 2012–2014, but this does not appear to have been utilised.

<sup>21</sup> Another trade-off is between targeting and stability/certainty. Fuller and more frequent resets mean funding could be less certain, which might discourage organisations receiving funding from planning long-term interventions, instead going for 'quicker wins', in case funding is not continued.

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'outcome' measures as well as local/regional characteristics. For instance, a fairly mechanical approach could be that as well as negatively depending on the *level* of GDP (some years prior), re-assessed allocations could depend positively on the *growth rate* of GDP. They could also depend upon evaluations of the projects funded by previous funding rounds, and more generally, of the economic and other policies of the areas in question: although the more subjective the assessments are made, the greater the scope for disagreement and a lack of transparency.

- **Is there a role for competitive bidding between areas for funding allocations, as well as being projects within those areas?** Under present arrangements, funding is allocated to regions, and formal or informal competitive bidding is used to determine which projects to fund within that region. It would be possible to keep some (or all) funding back under a replacement scheme for competitive bids between regions. This would provide maximum flexibility for the government operating such a scheme (which could be the UK government or Welsh Government) and could improve value for money, but could lead to funding being less targeted at the most disadvantaged areas. Choices in this area should again reflect the overarching aims of any replacement regional development funding.

Finally, it is worth noting that the Conservative Party 2017 election manifesto committed it to a **Shared Prosperity Fund**. It said this fund would be:

*“specifically designed to reduce inequalities between communities across our four nations. The money that is spent will help deliver sustainable, inclusive growth based on our modern industrial strategy. We will consult widely on the design of the fund, including with the devolved administrations, local authorities, businesses and public bodies. The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most.”<sup>22</sup>*

As yet, no further details on how the scheme will operate and at what level it will operate have been published.

### Options and issues for agricultural funding

The replacement of CAP funds in the UK is a broad and complex issue which has already been covered in greater detail elsewhere.<sup>23</sup> As highlighted already the UK Government has pledged to maintain the “same cash funds” of support for farmers (as they receive under the CAP) until the UK general 2022 election. What system will be in place beyond that is as yet unclear – although a transition period involving some direct payments is expected to last until at least 2024, and the UK government has stated that future payments to farmers will be based on their contribution “public goods”, most notably environmental enhancement.<sup>24</sup> It has also stated that it will work with the devolved governments to ensure the overall framework for funding to replace the CAP “works for the whole of the UK”.

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<sup>22</sup> Conservative Party, Forward, Together: Our plan for a Stronger Britain and a Prosperous Future, 2017.

<sup>23</sup> Downing, E. and Coe, S., *Brexit: Future UK agriculture policy*, Briefing Paper No. 8218, House of Commons Library, 2018.

<sup>24</sup> HM Government, A Green Future: Our 25 Year Plan to Improve the Environment, 2018.

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This brings us to some of the key questions that need to be addressed when designing this replacement funding:

- **What are the purposes of agricultural funding?** The UK government has clearly highlighted the provision of public goods – including environmental enhancements. But there are other potential objectives from such funding, which include: supporting farmers' incomes; broader rural development; food security; improving animal welfare standards; boosting productivity; and export promotion. **There may be trade-offs between these different objectives.** For instance, it is possible that environmental enhancements and improved animal welfare standards might reduce agricultural production and therefore impact food security and exports. Transfers aimed at boosting farmers' incomes may discourage exit of less productive farmers, limiting the scope for entry or expansion of more productive farmers, impacting on productivity.
- **How much flexibility should devolved (or local) governments have over funding?** The most appropriate balance between these different objectives might differ according to local characteristics and preferences. There is therefore a question of how much flexibility devolved (or indeed local or regional) governments should have in the allocation of agricultural funding. The CAP increasingly allows for such flexibility and there is a question of whether a UK scheme should allow more flexibility or less (perhaps on the grounds of ensuring fair competition within the UK market).<sup>25</sup>
- **How should funding be allocated across the UK?** As discussed, the EU has been aiming to move towards allocating funding to member-states using a common per hectare basis. However, in part as a result of historic allocation systems based on production as opposed to land area, the amount per hectare currently varies significantly across EU member states and *within* EU member states, including the UK. For instance, while England, Scotland and Wales should all be operating schemes with flat payments per hectare (varying by land-type regions in the case of England and Scotland) by 2019, payments for land with the same characteristics will still differ between the nations.

Finally, it is worth noting that the replacement of CAP is just one of several key issues posed by Brexit for the agricultural sector, including tariffs, and market access between the UK and the EU for agricultural products.

### Options and issues for research and innovation funding

The last area of funding we discuss in this note is research and innovation funding.

- **What is the purpose of science and innovation funding?** There are different ways in which science and innovation funds can be allocated depending on the objectives of this funding. Possible objectives include:
  - **Producing public goods:** making sure the projects that benefit wider society the most are being funded.

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<sup>25</sup> Downing, E. and Coe, S., *ibid*, 2018, argue that under the CAP, the systems in operation in England, Scotland, Wales and Northern Ireland have diverged significantly to reflect differing needs and priorities.



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- **Promoting regional development:** ensuring that organisations engaged in research and innovation in disadvantaged regions benefit relatively more from funding, in an effort to reduce geographical inequalities.

**At what level should decisions about funding allocations for research and innovation be made?** If the aim policy is to fund research with the highest potential for delivering public goods, then there would be a clear benefit from having competitive funding covering the largest possible geographic area. This could mean funding being determined at the UK level – supplementing the budget of UK Research and Innovating, for instance –, or the UK remaining in existing EU schemes (or their replacements) such as Horizon 2020 and Erasmus+. Some non-EU countries participate in these schemes (such as Norway or Turkey), generally making GNI-based contributions to the schemes overall costs.

The possibility of the UK taking part in such arrangements depends upon agreements between the UK government and EU. It is important to recognise the UK will have less influence on the priorities and design of future EU schemes from outside the EU than it does currently even if it takes part in these schemes.

As noted previously, Welsh-based organisations have traditionally been relatively unsuccessful at winning such funding from the EU. In financial terms, Wales might therefore receive less funding from UK-wide or EU-wide competitions than a Wales-specific allocation (e.g. based on population). Note, however that a UK-wide scheme (as well as a Welsh scheme) could take into account issues such as the promotion of research and development in disadvantaged regions, in addition to scientific quality and overall costs and benefits.

## National Assembly for Wales Finance Committee Inquiry into Preparations for Replacing EU Funding for Wales

### Farmers' Union of Wales Response

11<sup>th</sup> May 2018

#### **Financial planning for replacing EU funding streams in Wales - what is being done to prepare for different potential scenarios around levels of funding and administrative responsibility**

1. The guarantee provided by the Chancellor, Philip Hammond (13<sup>th</sup> August 2016) that EU derived funding for Wales would continue to 2020 was clearly welcome at the time, as was Secretary of State Michael Gove's commitment (8<sup>th</sup> January 2018) to maintain the CAP budget until 2022, and possibly 2024.
2. However, there continues to be ambiguity around the meaning of such commitments in terms of how funding will be allocated, administered and transferred to Wales.
3. Such uncertainty is exacerbated by the ongoing negotiations with the European Union relating to transitional and post-Brexit arrangements which may or may not include means by which EU funding remains accessible for Wales.
4. As such, while the significant work undertaken by the Welsh Government in relation to post-Brexit scenarios and arrangements is welcome, including the work on post-Brexit rural policies and the *Regional Investment in Wales after Brexit* paper, the ambiguity over the replacement of intermediate and long term EU funding represents a major obstacle in terms of preparing for different potential funding scenarios and potential changes to administrative responsibilities.
5. The FUW therefore believes the UK Government should seek a means by which to provide long term assurances that Wales will continue to receive funding which at least matches historical allocations in real terms, in line with promises made in the EU referendum campaign.

**Approaches to administering replacements for current EU funding streams which might deliver best for Wales, and how these might replicate or differ from current arrangements**

6. The Farmers' Union of Wales has responded to the Welsh Government's *Regional Investment in Wales* document, broadly agreeing with the principles it outlines, but highlighting the need to:
  - a. To ensure elements of existing approaches which work well are not lost, and that we seek to develop and improve what is already in place, as opposed to rapidly introducing new and disruptive approaches
  - b. Minimise changes which would result in the loss of or disruption to established systems of administration, causing unnecessary additional costs
  - c. Ensure a safe transition over an appropriate timescale during which ways to evolve and improve upon what is already in place are sought
  - d. Develop a better model for assessing geographic needs at a more local level, taking into account a range of measurements and the differing needs and economies of rural and urban areas
  - e. Ensure regional plans and funding are mapped to areas on objective grounds and at sufficient resolution, rather than to Local Authority areas
  - f. Recognise the differing needs of rural and urban areas, while ensuring the needs of urban and rural areas, people and businesses can be addressed together
  - g. Proactively ensure funding differences do not develop, inadvertently or deliberately, along political boundaries
  - h. Return to the position whereby a number of dedicated Programme Monitoring Committees monitor the delivery of programmes

## Common Agricultural Policy Budget Allocations within the UK

7. Given that funding provided through the Common Agricultural Policy<sup>1</sup> represents around 50% of Welsh EU derived funding, and the contribution such funding makes to the Welsh economy, the uncertainty referred to above in terms of future funding arrangements is a major concern.
8. In order to consider future funding streams, it is important to understand the rationale which underpins current arrangements.
9. Under the European Union's 2014-2020 Multiannual Financial Framework, a total of €408.31 billion is allocated to the Common Agricultural Policy (CAP), representing 38% of the total EU budget.
10. 76% of this is allocated to Pillar 1 (Direct Payments), while the remaining 24% is allocated to Pillar 2 (Rural Development).
11. On the 8th November 2013, the then UK Government announced that national allocations from the UK's share of the EU CAP budget would be based on historic spend, thereby leaving the proportions allocated to devolved nations unchanged compared with previous CAP periods (Tables 1 and 2)<sup>2</sup>.

<b>Table 1</b>	<b>Pillar 1 allocation 2014-2020 (millions)</b>	<b>Pillar 2 allocation 2014-2020 (millions)</b>	<b>Total excluding national contributions (millions)</b>
<b>EU</b>	€308,720	€99,600	€408,310
<b>UK</b>	€25,100	€2,600	€27,700
<b>England</b>	€16,421	€1,520	€17,941
<b>Northern Ireland</b>	€2,299	€227	€2,526
<b>Scotland</b>	€4,096	€478	€4,574
<b>Wales</b>	€2,245	€355	€2,600

<sup>1</sup> Through European Agricultural Guarantee Fund (EAGF) Pillar 1 Direct Payments and the European Agricultural Fund for Rural Development (EAFRD)

<sup>2</sup> <https://www.gov.uk/government/news/uk-cap-allocations-announced>

<b>Table 2</b>	<b>Pillar 1</b>		<b>Pillar 2</b>		<b>Total</b>	
	<b>% of EU budget</b>	<b>% of UK budget</b>	<b>% of EU budget</b>	<b>% of UK budget</b>	<b>% of EU budget</b>	<b>% of UK budget</b>
<b>EU</b>	100%	-	100%	-	100%	-
<b>UK</b>	8%	100%	3%	100%	7%	100%
<b>England</b>	5%	65%	2%	58%	4%	65%
<b>Northern Ireland</b>	1%	9%	0%	9%	1%	9%
<b>Scotland</b>	1%	16%	0%	18%	1%	17%
<b>Wales</b>	1%	9%	0%	14%	1%	9%

12. As such, Wales' Pillar 1 allocation reflects agricultural production before 2005, and the proportion of the Pillar 2 budget allocated to Wales under the previous (2007-2013) CAP.
13. Had the budget been allocated based upon population figures, Wales would have received significantly less (around €183 million less) of the budget, as would the other Celtic nations – reflecting the concern regarding the Barnettisation of any rural funding formulae (Table 3).

<b>Table 3</b>	<b>Current CAP allocation (millions)</b>	<b>Population based CAP allocation (millions)</b>	<b>Difference (millions)</b>	<b>Difference per annum (millions)</b>	<b>% difference</b>
<b>England</b>	€17,941	€23,258.18	€5,317	€759.60	30%
<b>Northern Ireland</b>	€2,526	€786.23	-€1,740	-€248.54	-69%
<b>Scotland</b>	€4,574	€2,280.99	-€2,293	-€327.57	-50%
<b>Wales</b>	€2,600	€1,315.61	-€1,284	-€183.48	-49%

14. This concern has been acknowledged by Secretary of State Michael Gove, who, in response to a question from Ceredigion MP Ben Lake, stated on 26<sup>th</sup> April 2018 that *“We want to make sure that, as is the case at the moment, farmers in Wales—indeed, farmers under all the devolved Administrations—receive more money than would be strictly the case under the Barnett formula. It is appropriate that they should continue to do so, because of the unique nature of the landscapes they farm.”*<sup>3</sup>
15. The Scottish Government has continued to express frustration with the CAP allocation formulae adopted by the UK Government, arguing that Scotland should have received an additional €187 million, as the ‘convergence uplift’ in the UK share of the EU CAP budget was due to Scotland’s low average payment per hectare<sup>4</sup>.

<sup>3</sup> Hansard, 26<sup>th</sup> April 2018

<sup>4</sup> <http://www.gov.scot/Topics/farmingrural/Agriculture/CAP/CAPEurope10112012/budget-facts31102012>

16. It is notable that, had the Scottish proposal been adopted, Wales' share of the CAP budget would have been around 3% lower, and that despite the UK Government's decision the average payment per farm in Scotland continues to be higher than in all other UK nations, and around 55% higher than the Welsh average.
17. The impact of allocating CAP funding on the basis of each nation's agricultural area (including woodland) – in line with the principles underpinning the EU's convergence principle - is shown in Table 4.

<b>Table 4</b>	<b>Current CAP allocation (millions)</b>	<b>Agricultural area based CAP allocation (millions)</b>	<b>Difference (millions)</b>	<b>Difference per annum (millions)</b>	<b>% difference</b>
<b>England</b>	€17,941	€14,099.88	-€3,841	-€548.73	-21%
<b>Northern Ireland</b>	€2,526	€1,553.09	-€973	-€138.99	-39%
<b>Scotland</b>	€4,574	€9,236.99	€4,663	€666.14	102%
<b>Wales</b>	€2,600	€2,751.05	€151	€21.58	6%

18. As alluded to Michael Gove's answer of the 26<sup>th</sup> April 2018<sup>3</sup>, factors such as the nature of landscapes must also be taken into account. Less Favoured Area (LFA) designation, which is assigned to 80% of Wales, is a reflection of the nature of landscape and other features, including socio-economic conditions.
19. Table 5 shows the impact of basing allocations of current CAP monies purely on the size of each nation's LFA.

<b>Table 5</b>	<b>Current CAP allocation (millions)</b>	<b>LFA based CAP allocation (millions)</b>	<b>Difference (millions)</b>	<b>Difference per annum (millions)</b>	<b>% difference</b>
<b>England</b>	€17,941	€4,692.94	-€13,248	-€1,892.58	-74%
<b>Northern Ireland</b>	€2,526	€2,229.23	-€297	-€42.40	-12%
<b>Scotland</b>	€4,574	€16,140.59	€11,567	€1,652.37	253%
<b>Wales</b>	€2,600	€4,578.23	€1,978	€282.60	76%

20. The examples shown in Tables 3, 4, and 5 illustrate the complexity and political issues around establishing new and objective formulae by which to allocate funding to the UK nations and devolved administrations.

21. However, it should be noted that the current allocations are based upon a UK Government decision made following consultation with the devolved Administrations (and with the Welsh Government's agreement) which was outside the influence of the EU (notwithstanding overarching EU laws governing allocations).
22. The FUW has argued for a needs-based allocation of post-Brexit budgets based, for example, upon the proportion of a region which is subject to handicaps such as poor climatic conditions and soil productivity, socio-economic constraints and the proportion of businesses affected by market failure.
23. Whilst the focus of the Welsh and UK Governments is on the provision of public goods, the FUW would emphasise the importance of including economic factors in any calculations in order to ensure that the economic, cultural and social well-being of Welsh communities is not compromised by an inappropriate allocation which disadvantages Wales.
24. In line with the above principles, the FUW has lobbied for assurances that in the short term Wales' share of the fixed budget assured by Secretary of State Michael Gove should remain unchanged, and that in the long term Wales should receive a needs-based allocation which is no less than would have been the case had the UK voted to remain in the European Union.

### **Multiannual Framework**

25. Notwithstanding potential variations caused by, for example, exchange rate fluctuations and the CAP Financial Discipline, the fact that the CAP budget is effectively fixed within the EU Multiannual Financial Framework (MFF) for periods of seven years provides significant stability.
26. Conversely, there is a risk that whatever method is used to assign rural funding to the UK nations post-Brexit, the overarching budget could be subject to significant and disruptive annual fluctuations as a result of changes to Government spending priorities.
27. Given this, the FUW believes a multiannual framework for rural funding should be adopted, similar to the EU MFF.

## Wales' Common Agricultural Policy budget

28. The various elements which make up Wales' CAP budget are shown in Table 6<sup>5</sup>

<b>Table 6</b> <b>Wales' CAP budget</b>		<b>2014-2020 budget before 15% Pillar transfer (millions)</b>	<b>2014-2020 budget after 15% Pillar transfer (millions)*</b>	<b>Average annual CAP budget 2014- 2020 after 15% Pillar transfer (millions)</b>	<b>% of annual total</b>
<b>Pillar 1</b>	<b>EU Basic Payment Scheme budget</b>	€ 2,245	€ 1,908	€273	66%
<b>Pillar 2</b>	<b>EU European Agricultural Fund for Rural Development (EAFRD)</b>	€ 363	€ 363	€52	13%
	<b>Welsh co-funding</b>	€ 320	€ 320	€46	11%
	<b>15% Pillar transfer</b>	-	€ 288	€41	10%
<b>Totals</b>	<b>TOTAL EU contribution</b>	€ 2,608	€ 2,560	€366	89%
	<b>Total CAP budget</b>	€ 2,929	€ 2,880	€411	100%

\*Note that the 2020 15% Pillar transfer is not available in the 2014-2020 budgetary period, thereby reducing the total for the period after the 15% has been transferred

29. It should be noted that contributions such as those made from national funds and through Pillar transfers and must fall within strict EU thresholds – a provision aimed at allowing a degree of freedom while nevertheless reducing divergence between EU regions.
30. Under the EU rules, at least 85% of Pillar 1 support which must go to farmers through forms of direct support.
31. Pillar 2 funding can be spent on a broad range of rural development measures specified within EU regulations within specific funding thresholds. For example, at least 30% of the budget must be spent on the environment and mitigating climate change.
32. As such, there is a funding framework in place which, notwithstanding a degree of flexibility, proscribes what proportion of the total budget can be spent in different areas. This helps prevent divergence between regions of the EU by ensuring direct agricultural support and expenditure on specific issues does not differ more than a certain amount, and is aligned with overall EU CAP policy objectives.

<sup>5</sup> Based on figures from the following sources: [https://ec.europa.eu/agriculture/sites/agriculture/files/rural-development-2014-2020/country-files/uk/factsheet-wales\\_en.pdf](https://ec.europa.eu/agriculture/sites/agriculture/files/rural-development-2014-2020/country-files/uk/factsheet-wales_en.pdf)  
<https://www.gov.uk/government/news/uk-cap-allocations-announced>



### **Post-Brexit Financial Framework**

33. The UK's departure from the EU does not change the rationale for having such a financial framework to prevent, for example, one nation spending the majority of a budget on direct support for farmers, and another spending the equivalent proportion on, say, rural transport, thereby introducing gross divergence between industries, regions and sectors.
34. The FUW therefore believes that, post-Brexit, a similar financial framework, agreed through discussions between devolved Administrations, must be put in place to ensure relative uniformity in terms of expenditure in specific areas, while also recognising devolution and the need for a degree of flexibility.
35. Without such a provision, major differences between areas of expenditure are likely to emerge, resulting in gross market distortion between producers and industries within the UK single market.
36. The FUW has regularly sought clarity from the Welsh and UK Governments regarding discussions on national funding allocation formulae and financial frameworks, but has yet to receive any assurances that any progress has been made in relation to such issues, despite the imminence of Brexit in less than twelve months' time.



**RTPI Cymru**

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11 May 2018

e-mail response sent to: [seneddfinance@assembly.wales](mailto:seneddfinance@assembly.wales)

Dear Sir/Madam,

**Response to: Inquiry into preparations for replacing EU funding for Wales**

The Royal Town Planning Institute (RTPI) is the largest professional institute for planners in Europe, representing some 25,000 spatial planners. RTPI Cymru represents the RTPI in Wales, with 1,100 members. The Institute seeks to advance the science and art of spatial planning for the benefit of the public. As well as promoting spatial planning, the RTPI develops and shapes policy affecting the built environment, works to raise professional standards and supports members through continuous education, training and development.

The response has been formed drawing on the expertise of the RTPI Cymru Policy and Research Forum which includes a cross section of planning practitioners from the private and public sectors and academia from across Wales.

Thank you for the opportunity to contribute our views to the above Inquiry.

EU Structural Funds have brought many benefits to Wales since the 1980s. The highest level of funding allocated through the Conversion Programmes have been received since 2000. The need for this level of funding, based on the deprivation and economic performance of many parts of Wales, still exists.

The principles used since the 1980s for the Structural Funds remain valid and are a good basis for considering the future organisation of replacement funds after the UK leaves the EU, namely: programming, concentration, additionality and partnership.

Our response focuses on those Funds directed at regional development, which is spatial.

RTPI Cymru regards regeneration as a holistic process which aims to reverse the economic, social and physical decline of places where market forces alone will not suffice. We believe that the spatial planning system should be placed at the heart of regeneration. Effective regeneration requires active and meaningful long term community engagement and involvement, as well as changes to the physical environment. This should provide the framework for the investment of any resources to support spatial inequalities resulting in poverty.

Programming enables long term programmes to be developed which align and support other national programmes to provide continuity and complementarity. These national strategies would include Prosperity for All, the developing National Development Framework, as well as strategic sub-regional plans, such as the Ministerial Taskforce for the South Wales Valleys Our Valleys, Our Future. It is important for strategies to be working together and complementary.

Hard decisions need to be made on the choices of how and where to spend funding to enable it to make a genuine long-term difference. One such principle could be on providing local investment, which ensures any spend is retained in the local economy / community, for example.

Concentration of funding spatially enables targeting and concentration of effort. The EU Structural Funds have been criticised for the lack of flexibility of the spend and this may be an area which could be relaxed slightly, to enable more spend to be undertaken in areas which do not require targeting, but which provide direct benefits for the target area.

There is the opportunity to review the spatial concentration to reflect where poverty and inequality exists and not to be constrained by the NUTS 2 areas.

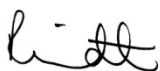
Additionality will be a more difficult principle to prove and retain for the future. It is nonetheless important. Currently this means that "EU Structural Funds may not replace the national or equivalent expenditure by a Member State". This will be increasingly difficult to demonstrate after the UK leaves the EU, as the funding will be from UK budgets. It will be essential to agree the level of funding to replace the funds Wales currently receives in respect of its low GDP levels.

However, there is an opportunity to be more flexible on the types of activity which could be supported, such as aspects of housing.

Partnership has become a more mainstreamed activity in regeneration and community development. It should remain an integral part of the development of the programmes and their application, monitoring and review.

If you require further assistance, please contact RTPI Cymru on 029 2047 3923 or e-mail Roisin Willmott at [walespolicy@rtpi.org.uk](mailto:walespolicy@rtpi.org.uk)

Yours sincerely,



Dr Roisin Willmott OBE FRTPi  
**Director**  
**RTPI Cymru**

## Response to Finance Committee Inquiry into:

### Preparations for replacing EU funding for Wales

May 2018

#### Introduction

Chwarae Teg is a Welsh charity which exists to deliver a vision of a fairer Wales where women can achieve and prosper. We work with women, businesses, influencers and decision makers to build a society that values, supports and benefits women and men equally.

Despite ongoing negotiations, the implications of the UK withdrawal from the European Union (EU) remain uncertain. Wales is a net beneficiary of EU membership, and EU Structural Funds have enabled a vast number of projects to be run, many of which have focused on tackling poverty and inequality.

So far, there has been very little information about what will replace structural funds post-Brexit, whether these funds will be 'repatriated' to Wales, or be redistributive in focus. There is also question over whether these replacement funds will maintain a focus on tackling the causes of poverty, inequality, in particular regarding gender.

It is crucial that ongoing discussions about replacement of EU funding for Wales ensures that gender equality is at the forefront, and women are not disproportionately impacted by our exit from the EU.

#### Key messages:

1. As a net beneficiary of EU funding, Wales looks set to lose around £680m annually following Brexit. The UK Government have committed to replacing structural funds with a UK Shared Prosperity Fund (UKSPF), but very little information has been given about the detail of this funding. Clarity is needed from the UK Government about what funding exactly will be available to replace EU structural funds in Wales, what this funding will look like and how it will be allocated and administered.
2. Current EU funding in Wales is allocated based on need and has a clear focus on tackling poverty and inequality. A significant amount of EU supported projects also specifically focus on supporting women, and addressing causes of gender equality. Chwarae Teg would like to see guarantees that the principles of any new funding would continue to focus on tackling poverty and inequality in areas with the biggest need.
3. Replacements for current EU funding streams need to deliver in a way that is best for Wales. This is an opportunity for us to evaluate the way that current funding in Wales works, and look at which areas need to be replicated or adapted. We second the Bevan Foundation and WLGA's recommendation that funds should be devolved to Welsh Government to implement according to the needs of Welsh people, and particularly Welsh women. <sup>1</sup>

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<sup>1</sup> Chwarae Teg, 'The Implications of Brexit for Women in Wales', January 2018

## Summary of Recommendations

1. The Welsh Government should give urgent thought to how many existing programmes can be delivered should a UK Shared Prosperity Fund not materialise and explore alternative funding mechanisms to protect against loss of services.
2. The Welsh Government should put pressure on the UK Government to speed up the consultation process for the UK Shared Prosperity Fund, and ensure efforts are taken to capture the views of those in Wales and that any replacement is fit for the specific needs of different parts of the UK.
3. The Welsh Government should work with UK Ministers and Officials to ensure the UKSPF is developed properly and with an equalities focus throughout the process and takes account of devolved nations differing contexts and needs.
4. All future options need to go through full gender impact assessments to ensure that gender equality is at the centre of future plans, and women won't be disproportionately affected by the loss of transition funding
5. The Welsh Government must call on the UK Government to carry out a consultation with key stakeholders and beneficiaries of EU funding in Wales, to understand the benefits and impact of existing EU funding so it can be replicated, or improved with the UKSPF.
6. Concerns and priorities raised during the course of this inquiry should be feedback to the UK Government.

## Detailed Response

### 1. Clarity on the UK Shared prosperity fund

1.1. Wales is a net beneficiary of EU funding, and will lose out more from EU revenue than any of the other UK nations.

1.1.1. Wales looks set to lose around £680m annually of EU funding following Brexit, which if not replaced would have a substantial impact on the Welsh economy; in particular growth, job creation and retention.<sup>2</sup>

1.1.2. Wales receives around £230 per head in Wales, compared to £85 per head in England.<sup>3</sup> 95% of this funding is allocated to activity that affects employability in Wales.<sup>4</sup>

1.2. EU funding has supported projects aimed at tackling poverty and inequality

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<sup>2</sup> Welsh Government and Plaid Cymru, 'Securing Wales' Future' White Paper, January 2017

<sup>3</sup> House of Commons Library, 'Effect of the UK leaving the EU on infrastructure in Wales', January 2016

<sup>4</sup> The Guardian, 'What does Brexit mean for business funding in Wales?', 11 November 2016

- 1.2.1. Many EU funded projects in Wales have focused on supporting women and addressing the causes of ongoing gender inequality, such as the gender pay gap. These projects include:<sup>5</sup>
- Chwarae Teg’s Agile Nation 2 Project (AN2) – addresses gender imbalance in the workforce, working primarily with small businesses and women
  - STEM Cymru 2 – supports young people in STEM, encourages more women into engineering
  - Parent, Childcare and Employment (PaCE) – helps unemployed parents into work or training by helping with childcare costs
  - Workways – helps economically inactive individuals who are looking for employment to avoid poverty by helping with childcare costs
  - Women Adding Value to the Economy (WAVE) – tackles underlying factors which contribute to the gender pay gap
- 1.2.2. As illustrated, any potential loss in funding will have a significant impact in Wales, particularly on women and other marginalised groups. For this reason, clarity on future funding arrangements post-Brexit is urgently needed, not least to enable government and other organisations to attempt to mitigate against stagnation (of progress).
- 1.2.3. Furthermore, many of the skills and employability focused programmes in Wales, such as Apprenticeships, PaCE and Jobs Growth Wales, are underpinned by funding from the EU. These could be at risk if funding is lost.

### Recommendation 1

The Welsh Government should give urgent thought to how many existing programmes can be delivered should a UK Shared Prosperity Fund not materialise and explore alternative funding mechanisms to protect against loss of services.

- 1.3. Clarity on the UK Shared Prosperity Fund is needed urgently
- 1.3.1. The UK Government has committed to a **‘Shared Prosperity Fund’** which will match agreed EU funding until 2020. This was announced during the 2017 election in a Conservative manifesto pledge.<sup>6</sup>
- 1.3.2. A consultation on the UK Shared Prosperity Fund (UKSPF) was announced in the UK Government’s Industrial Strategy White Paper to take place this year. To date, no details have been confirmed and no timeline has been indicated.<sup>7</sup>
- 1.4. While we know funding in Wales will change after our exit from the EU, it is still unclear when European Structural and Investment funds in Wales will end. It could be as early as March 2019, or could continue until as late as 2023. There seems to be a lack of clarity about arrangements even between those administering, delivering or

<sup>5</sup> Chwarae Teg, ‘The Implications of Brexit for Women in Wales’, January 2018

<sup>6</sup> The Conservative Party, ‘Forward Together: The Conservative Manifesto’, 2017  
<https://www.conservatives.com/manifesto>

<sup>7</sup> UK Government, ‘Industrial Strategy: Building a Britain fit for the future’ White Paper, 2017  
<https://bit.ly/2GuEuRt>

responsible for funds currently, leading to lack of certainty about which services will continue or cease at various dates.

- 1.5. Chwarae Teg echoes calls from the Bevan Foundation and WLGA for the UK Government to ‘clarify and cement’ promises that Wales will receive identical financial support through UKSPF, and that these funds will be devolved to Welsh Government to implement according to the needs of Welsh people
- 1.5.1. The Greater London Authority have also expressed concerns that UKSPF will be centralised – we do not currently know how UKSPF will be administered or what governance arrangements will be.<sup>8</sup>

### **Recommendation 2**

The Welsh Government should put pressure on the UK Government to speed up the consultation process for the UK Shared Prosperity Fund, and ensure efforts are taken to capture the views of those in Wales and that any replacement is fit for the specific needs of different parts of the UK.

2. **Replacement funds must continue to have a central focus on tackling poverty and inequality, including gender equality.**
  - 2.1. EU structural funding is currently allocated based on need, meaning that areas in West Wales and the Valleys benefit particularly. Previously listed beneficiaries in Wales focus specifically on tackling gender inequality and supporting women in Wales. If the UK’s post-Brexit funding is allocated through the existing Barnett/population-based formula, Wales could receive only a quarter of its committed funds until 2020.
  - 2.2. The focus on needs-based funding and allocation to areas where poverty, deprivation and inequality are most prominent may be lost in future arrangements, and these marginalised groups could potentially suffer more.
  - 2.3. EU funding has also put in place cross-cutting objectives to ensure funding contributes to tackling poverty and inequality across the board. New funding needs to continue this approach and reflect links between ‘health, wellbeing and employment’ and the need for a holistic approach.<sup>9</sup>
  - 2.4. EU funding has also enabled voluntary, community and third sector organisations to forge valuable transnational links. These links must be maintained post-Brexit. Funds should be set aside to ensure charity and third sector organisations can still access these networks.

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<sup>8</sup> Mayor of London, ‘UK Shared Prosperity Fund’, October 2017 <https://bit.ly/2I820RE>

<sup>9</sup> Equality and Diversity Forum, ‘Shared Prosperity, Shared Rights: Replacing EU funding for Equality and Human Rights after Brexit’, February 2018 <https://bit.ly/2IoM8Of>

**Key considerations to ensure a UKSPF is fit for purpose:**

- Funding should be allocated based on need and not on population to ensure that replacement funds remain re-distributive.
- Cross-cutting objective to tackle poverty and inequality, including a focus on addressing gender inequality should remain.
- Funding should reflect links between health, well-being and employment and support a holistic approach
- Funding should support partnership working, including transnational links, that enable sharing of best practice and knowledge.

2.5. The development of the UKSPF must give sufficient consideration to equality.

2.5.1. The Ministry of Housing, Communities and Local Government, and the Department of Business, Innovation and Skills are leading on the SPF fund. However, it is crucial that decisions are made with equalities at the forefront. It's been suggested that the DWP also need to play a part as the department with the biggest impact on equality.<sup>10</sup>

2.5.2. Currently, there does not seem to be an individual or group involved in shaping and scrutinising this process, with a specific focus on equalities.

2.5.3. Former UK Minister for Women and Equalities, Justine Greening, previously said that the Government Equalities office (GEO) would engage with stakeholders on the issue of Brexit, but it's unclear whether this has taken place.<sup>11</sup>

2.5.4. There could be a need for a UK Minister for Equalities to be involved in this process. Additionally, parliamentary select committees could scrutinise from specific perspectives – for example, the Women and Equalities Select committee and the Welsh Affairs Select Committee.

2.5.5. The UK Government has conducted an Equality Impact Assessment into the potential impacts of Brexit, but it has not been far-reaching enough or specific to Wales and Welsh women. This needs to be urgently addressed, and the UKSPF and any future funding needs to be effectively 'equality and human rights-proofed'.<sup>12</sup>

2.5.6. Chwarae Teg have previously highlighted that Equality Impact Assessments by the UK Government into the potential impacts of Brexit have not been far-reaching enough, and lacks specific information about Wales and Welsh women.<sup>13</sup>

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<sup>10</sup> Ibid.

<sup>11</sup> Letter dated 23 February 2017

[https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/79907.htm#\\_idTextAnchor035](https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/79907.htm#_idTextAnchor035)

<sup>12</sup> Equality and Diversity Forum, 'Shared Prosperity, Shared Rights: Replacing EU funding for Equality and Human Rights after Brexit', February 2018 <https://bit.ly/2loM8Of>

<sup>13</sup> Chwarae Teg, 'The Implications of Brexit for Women in Wales', January 2018



### Recommendation 3

The Welsh Government should work with UK Ministers and Officials to ensure the UKSPF is developed properly and with an equalities focus throughout the process.

### Recommendation 4

All future options need to go through full gender impact assessments to ensure that gender equality is at the centre of future plans, and women won't be disproportionately affected by the loss of transition funding

### 3. Administration of EU replacement funds – how this will work

- 3.1. Any replacement for EU funding needs to be administered through devolved administrations. The Welsh Government needs the ability to fully prioritise the needs of Welsh people.
- 3.2. Plans set out so far for the UK Shared Prosperity Fund say it will help to 'reduce inequalities' and 'deliver sustainable, inclusive growth', and will 'guarantee funding for any project signed while we are in the EU' as long as it aligns with 'domestic priorities'.<sup>14</sup>
  - 3.2.1. The UK Government's 'domestic priorities' post-Brexit could likely differ from those in Wales, which adds further weight for the administration of funding to be devolved to Wales, to ensure it is in line with Welsh Government priorities.

### Recommendation 5

The Welsh Government must call on the UK Government to carry out a consultation with key stakeholders and beneficiaries of EU funding in Wales, to understand the benefits and impact of existing EU funding so it can be replicated with the UKSPF.

### Recommendation 6

Concerns and priorities raised during the course of this inquiry should be feedback to the UK Government.

- 3.3. Lessons can also be learnt from the experience of those delivering EU funded work in Wales to improve the administration of funds in the future. We can learn from the barriers stakeholders and beneficiaries currently experience and ensure that these are tackled in the creation of new funds.

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<sup>14</sup> UK Government, 'Industrial Strategy: Building a Britain fit for the future' White Paper, 2017  
<https://bit.ly/2GuEuRt>

- 3.4. For example, in Chwarae Teg’s experience as a beneficiary of EU funds, we have identified key areas for improvement:
  - 3.4.1. There needs to be less bureaucracy in the process of applying for funding – including the bidding, reporting, and monitoring processes. Steps should be taken to make the process less time consuming and more accessible. This is a significant issue, particularly for smaller projects and can prevent groups accessing funding. Currently, significant human resource is required to even service many EU funded projects, and this is not efficient in terms of targeting resources to where they are needed most.
  - 3.4.2. A broader scope for funding would be helpful. If funding is not confined by the EU, then it could be possible for the administration of future funding to deal with broader funding options.
  - 3.4.3. There is a need to maintain the central point of access to funds, through a body like WEFO (albeit reformed taking into account points above). This will ensure there is a holistic approach to funding, taking into consideration regional issues but not administered on that basis. Funds should be administered from a central point to ensure benefit at scale where appropriate but also ensuring that funding is accessible to smaller organisations, and can adapt to regional needs.
- 3.5. The EDF also identified key practical and technical issues in its paper that we would echo:<sup>15</sup>
  - 3.5.1. There is a need for multi-year funding, not annual spending caps
  - 3.5.2. There needs to be continuity in allocation of funding post-2019, and need for guarantees to ensure that these replacements are on the same basis
  - 3.5.3. There needs to be clarity on audit arrangements post 2019
  - 3.5.4. Replacement structural funds need to be ring-fenced in some way and not used for other purposes
  - 3.5.5. A period for winding-up projects needs to be allowed post Brexit – giving organisations time to complete their work
- 3.6. While there is a great deal of concern regarding the future of funding post-Brexit, this could also be an opportunity for the UK Government and devolved regions to be bold and innovative in creating new streams of funding and methods of administration. But there is a lot at stake – beneficiaries and stakeholders need to be effectively consulted, and gender equality needs to be at the forefront of these processes.

#### 4. **Alternative sources of funding for Wales:**

- 4.1. Replacing funding, particularly for small third sector and charitable organisations is going to be extremely difficult, as in a lot of cases it is the leading source of funding. However, different options have been raised as possible alternatives in part to EU funding. These are avenues that the Welsh Government may want to consider or explore that are less dependent on action from the UK Government.<sup>16</sup> Dialogue with those currently responsible for administering or delivering EU funds to date is

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<sup>15</sup> Equality and Diversity Forum, ‘Shared Prosperity, Shared Rights: Replacing EU funding for Equality and Human Rights after Brexit’, February 2018 <https://bit.ly/2loM8Of>

<sup>16</sup> The Bevan Foundation, ‘Wales After Brexit: An Agenda for a Fair, Prosperous and Sustainable Country’, August 2016 <https://bit.ly/2KbDiR8>

currently limited, and this should be addressed to ensure that Wales is not at a disadvantage once new funding structures (such as UK SPF) are established.

- 4.1.1. The EU's research and innovation funding programme, Horizon 2020 does include some non-member states. Norway and Switzerland have taken part in European territorial cooperation programmes, so this could be explored for the UK
- 4.1.2. The European Investment Bank (EIB) awarded 11% of funding between 2011-2015 to countries outside of the EU.
  - 4.1.2.1. The UK is currently a 16% shareholder in the EIB . There is a question as to whether the UK will remain a shareholder after Brexit and the EIB have previously confirmed that lending levels would reduce post brexit. Clarification on the future relationship with the EIB would be useful, as it remains an additional funding avenue to be explored.
  - 4.1.2.2. Consideration could also be given to 'infrastructure bonds' or a new UK investment bank to replace the European Investment Bank.<sup>17</sup>
  - 4.1.2.3. The role of the Development Bank for Wales could also be considered in the context of post-Brexit funding pathways.
- 4.2. New funding structures in Wales or the UK could be brought in line with examples from international donors, such as the European Social Investment Bank or World Bank, that embed consideration of gender equality into their lending process.
- 4.3. Whichever options for future funding are used, we need to ensure that key principles of distribution – tackling poverty, inequality and consideration of gender – are embedded in the process to complement the focus of previous funding.

## Conclusion:

The UK Government intends to exit the European Union by March of next year, but there is still **no** clarity on what replacement funding will be, and this represents a significant threat and risk to delivery of services and support to people in Wales, particularly in some of our most disadvantaged communities. The Government's White Paper said it would conduct a consultation on the UKSPF in 2018, but nothing has been guaranteed and recipients of EU funding have not yet been consulted.

Increasingly, the time frame is narrowing and there is a very short amount of time for recipients of funding and devolved administration to prepare for this transition and ensure the right infrastructure is in place. This needs to be treated with great urgency by the UK Government and devolved Governments.

There is a great deal of uncertainty for organisations that are recipients of EU funding carrying out equalities work, and for the individuals that benefit from these programmes. It is deeply concerning that we don't know what position we will be in in less than a year's time.

Progress needs to take place quickly, and Welsh Government can play a bigger role in ensuring this happens. We need clarity, and guarantees that gender equality will not be pushed to the sidelines.

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<sup>17</sup> IWA Wales, 'Never Waste a Good Crisis: Plugging the Infrastructure gap post Brexit', April 2017  
<https://bit.ly/2rEy20P>

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Comisiynydd y  
Gymraeg  
Welsh Language  
Commissioner

Y Pwyllgor Cyllid

Cynulliad Cenedlaethol Cymru

09 Mai 2018

Dear Colleague,

## **Inquiry into preparations for replacing EU funding streams in Wales following the UK's exit from the EU**

Thank you for the opportunity to respond to your inquiry. I would like to emphasise the following points.

- There is a need to assess the economic implications of the UK's exit from the European Union on Welsh speakers and Welsh-speaking communities. It is absolutely essential that Brexit does not undermine the efforts to create more Welsh speakers or to increase the use made of the Welsh language.
- Conditions relating to the support available through European funds currently include Welsh language requirements. The process of agreeing, planning and implementing new funding streams in Wales following Brexit should continue to recognise and respond to the bilingual nature of Wales.
- Discussions on future funding streams provide a valuable opportunity to revisit current funding systems in terms of the consideration given to the Welsh language. Consideration could be given to the subject, implementation methods and methods of evaluating Welsh language requirements and objectives. This could be achieved by undertaking an appropriate review of current arrangements across different European funds.

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Welsh Language  
Commissioner

## 1. The context of this response

The principal aim of the Welsh Language Commissioner is to promote and facilitate the use of the Welsh language. In doing so the Commissioner seeks to increase the use of the Welsh language with regards to the provision of services, and via other opportunities. In addition, she will also address the official status of the Welsh language in Wales and, by imposing standards, place statutory duties on organisations to use the Welsh language. One of the Commissioner's strategic aims is to influence the consideration given to the Welsh language in terms of policy development, as is the case here. Further information on the Commissioner's work can be found on the website [welshlanguagecommissioner.wales](http://welshlanguagecommissioner.wales).

## 2. The economic impact of Brexit on the Welsh language

I have referred elsewhere to the link between the Welsh language and the economy; and to the importance of specific sectors such as the agricultural sector for the Welsh language and Welsh speakers.<sup>1</sup> There is a need to assess the economic implications of the UK's exit from the European Union on Welsh speakers and Welsh-speaking communities. It should be ensure that Brexit does not:

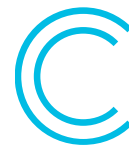
- undermine the provision of programmes and projects in Wales that are essential in creating a skilled bilingual workforce and supporting the use of the Welsh language in the community and in business;
- impact on economic sectors that are important to Welsh speakers and sustain Welsh-speaking communities to a large extent such as the agricultural sector, the creative sector and the post-16 education and training sector.

For further details, see my recent response to the External Affairs and Additional Legislation Committee's inquiry ['Resilience and preparedness: the Welsh Government's administrative and financial response to Brexit'](#).

I argued at the time that it was absolutely essential that Brexit does not undermine the efforts to create more Welsh speakers or to increase the use made of the Welsh language. I called on the Government to give due regard to the Welsh language in all aspects of work relating to Brexit.

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<sup>1</sup> See my recent response to the Communities, Equality and Local Government Committee's [Inquiry into poverty in Wales: making the economy work for people on low incomes](#);



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### 3. Welsh language requirements under the current funding system

Conditions relating to the support available through European funds currently include Welsh language requirements. Under European regulations, 'cross cutting themes' must be integrated into the work of planning and developing activities funded through European Structural and Investment Funds (ESI), including the European Agriculture Fund for Rural Development (EAFRD), the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Maritime and Fisheries Fund (EMFF).<sup>2</sup> Although some cross cutting themes (such as Equal Opportunities) must be included, it is possible to add to them in accordance with British or Welsh equality policy.

European regulations do not require language to be considered in the context of these themes. However, the Welsh Government decided that the equality objectives for European programmes in Wales should include 'identify[ing] and support[ing] opportunities to promote and facilitate the use of the Welsh language'.<sup>3</sup> According to the Welsh European Funding Office (WEFO), funded operations can contribute to these objectives by, e.g.

- ensuring that Welsh language services are actively promoted;
- ensuring that operations contribute to increased provision of Welsh language services and increased use of Welsh by participants; improved Welsh language skills and enhanced economic opportunities in Welsh-speaking areas;
- monitoring progress and positive outcomes regarding the Welsh language.

They can also '[ensure] that all operations and grant-funded services are available through the medium of Welsh and that these services are actively promoted'.<sup>4</sup>

The Welsh Government's incentive to include Welsh as a cross cutting theme is commendable. Despite the fact that the language is not a protected characteristic under the Equality Act 2010, the rights of Welsh speakers in Wales are affirmed by the Welsh Language (Wales) Measure 2011. The Welsh language is also one of the well-being aims in the Well-being of Future Generations (Wales) Act 2015. Albeit differently, these two pieces of legislation provide for a country where the Welsh language is at the heart of public policy.

As a result, it is essential that the process of agreeing, planning and implementing new funding streams in Wales following Brexit recognises and responds to the bilingual nature of Wales. At a completely basic level, this means that the funding conditions should provide for the costs incurred in complying with Welsh language requirements, such as translation costs.

<sup>2</sup> Also, for rural development programmes under CAP, priorities include social inclusion, tackling poverty and economic development in rural areas. [https://ec.europa.eu/agriculture/rural-development-2014-2020\\_en](https://ec.europa.eu/agriculture/rural-development-2014-2020_en)

<sup>3</sup> <https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-social-fund-en.pdf>, p. 5;

<https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-regional-development-fund-en.pdf>, p. 5.

<sup>4</sup> <https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-social-fund-en.pdf>, p. 10;

<https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-regional-development-fund-en.pdf>, p. 11.



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At a higher level, they should allow for the promotion and facilitation of the Welsh language and deliver outcomes for Welsh speakers and communities where the language is spoken.

#### 4. Extending and strengthening Welsh language requirements

Having said that, discussions on future funding streams provide a valuable opportunity to revisit current funding streams in terms of the consideration given to the Welsh language in terms of the subject, the implementation method and the method of evaluating the requirements and objectives of the funding. This could be achieved by undertaking an appropriate review of current arrangements across different European funds. For example, under current guidelines, it is not 'compulsory' for funded operations to contribute to Welsh language objectives. The current wording does not suggest either that services must be operated and provided bilingually. Consideration could be given to strengthening those requirements.

I also understand that, historically, there have been very few interventions under European support programmes which have actively targeted Welsh speakers, and have been tailored to meet their needs. This was one of the conclusions of the RDP evaluation in 2014.<sup>5,6</sup> However, as far as I know, only a handful of projects which have received European support during recent years have put the Welsh language at the heart of their activities. One such project which benefited from the European Agricultural Fund for Rural Development was 'Marchnad Lafur Cymraeg' by Four Cymru in partnership with Mentrau Iaith Cymru.<sup>7</sup>

I also believe that it is worth revisiting the current methods of measuring and evaluating the impact of operations on the Welsh language. WEFO is currently collecting specific data on the Welsh language, and targets will be set in accordance with this data. For example, for ESF projects, requests are made for data on the linguistic ability of participants, their preferred language and the language of provision.<sup>8</sup> In addition, in June 2015, WEFO decided to introduce additional indicators at project level in order to facilitate the work of recording good practice with regard to the cross cutting themes.<sup>9</sup> (Please note, I am unclear as to the extent to which similar indicators are used for projects under the Rural Development Plan, which follow a different evaluation process to ESF and ERDF projects).<sup>10</sup> As the current funding system comes to an end, we could use the opportunity to revisit the types of data collected and targets set, and review their weaknesses and strengths.

<sup>5</sup> <http://gov.wales/docs/drah/publications/141114-rural-development-programme-environment-impact-assessment-sept-report-en.pdf>

<sup>6</sup> Welsh Language Commissioner, The Potential of the Welsh Language to Contribute to realising the aims of the European Funding Programmes 2014-2020; Mentrau Iaith Cymru, Cynllun Marchnad Lafur Cyfrwng Cymraeg; [Report of the Task & Finish Group on Welsh Language and Economic Development](#) (January 2014);

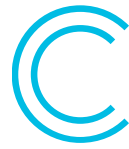
<sup>7</sup> The aim of this project is to 'develop the Welsh language as an economic catalyst to develop and revitalise Rural Wales'. <http://four.cymru/wordpress/wp-content/uploads/2017/09/Marchnad-Lafur-Cymraeg.pdf>

<sup>8</sup> <https://gov.wales/docs/wefo/publications/180502-pmc-papers-may-2018-en.pdf> p. 4

<sup>9</sup> <https://gov.wales/docs/wefo/publications/171129-pmc-papers-dec-17-en.pdf> p. 156

<sup>10</sup> Monitoring and Evaluation Strategy: European Structural and Investment Funds 2014-2020 – Update 2017, <https://gov.wales/docs/wefo/publications/171129-pmc-papers-dec-17-en.pdf>





Comisiynydd y  
Gymraeg  
Welsh Language  
Commissioner

## Conclusion

I trust that you will find the above comments useful. I encourage the Committee to give these comments careful consideration during the inquiry.

Yours sincerely,

**Meri Huws**

Welsh Language Commissioner



# Shared Prosperity, Shared Rights: replacing EU funding for equality and human rights after Brexit

February 2018

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## Executive Summary

We all want to live in a fair and decent society. As we move towards leaving the EU, it is essential that we make the most of every opportunity to strengthen the UK's ability to deliver equality, human rights and prosperity for all. A key part of this is maintaining the investment currently provided by the EU.

The Equality and Diversity Forum (EDF) welcomes the Prime Minister's commitment to tackling the burning injustices that cause discrimination, disadvantage and abuse for many people and groups in the UK. Such injustices prevent people from fulfilling their potential. They cause unnecessary downstream costs to health and other public services, and limit productivity and growth.

This is particularly the case in relation to women, Black, Asian and minority ethnic (BAME) people, disabled people, and people of all backgrounds in working class communities, especially where these characteristics intersect.

The combined allocation for 2014-2020 for the European Regional Development Fund (ERDF) and the European Social Fund (ESF) in the UK is almost €11 billion (£9.13 billion). The spend on the three ESF objectives which have the most focus on equality issues is some €5 billion (£4.15 billion) in England alone, with a further £1.4 billion in Wales, Scotland and Northern Ireland.

Other significant programmes, such as the Rights Equality and Citizenship fund and the PEACE fund in Northern Ireland, directly support projects focusing on human rights, violence against women, hate crime and discrimination.

This summary and the accompanying recommendations set out how the Government can replace EU funding in ways that will support its commitments to reducing inequality and injustice. They are drawn from research conducted for EDF that mapped and learned from the successes and challenges of current EU funding programmes across the UK. The full research report is available at [www.edf.org.uk](http://www.edf.org.uk).

### Building on what works for people and communities

#### **Levels and focus of funding**

The research has made clear that EU funding programmes have provided, and are providing, significant investment aimed at addressing the inequality,

discrimination, and injustices that harm people's life chances, our communities and the economy.

This level of investment needs to be maintained after we leave the EU.

The outline below summarises, programme by programme, the extent to which EU funding has supported people dealing with abuse and those in marginalised and alienated communities. More details of the funds and their impact are given in the full report.

- The Rights Equality and Citizenship (REC) programme 2014-20 has a budget of £343 million for the whole of the EU. It supports progress on equality and human rights through both strategic initiatives and frontline services that help people experiencing domestic violence, hate crime, discrimination, and labour exploitation. Over a third of REC-funded projects directly support people in the UK.
- From 1997-2013, the Daphne Programme was one of the predecessor funds to REC. It aimed specifically to prevent violence against women and children. Its final 2007-2013 phase had an average annual budget of £14 million. Ninety-nine of the 660 projects (15%) funded in that phase supported women and children at risk in the UK.
- In England, the ESF and ERDF have been brought together into a single EU Structural and Investment Funds Growth Programme (ESIF), worth £500 million a year. Objectives 8, 9 and 10 of the programme relate directly to equality and human rights and are worth £4.15 billion between 2014-20. The target groups for these three objectives are young people not in education employment or training (NEETs), older people aged 50 or over, women, disabled and minority ethnic people, people with multiple complex barriers, offenders and ex-offenders.
- ESIF distribution is so fragmented and complex in England that we could not map all of the work it has so far supported. However, the research identified that the ESIF is currently supporting many local initiatives across a wide range of equality and human rights-related issues. This includes the Building Better Opportunities fund run by the Big Lottery Fund (BLF). ESIF investment is developing the employability of NEETs, disabled people, marginalised Black Asian and minority ethnic (BAME) and Lesbian Gay Bisexual and Trans (LGBT) people, ex-offenders and single parents. It also funds projects supporting women exploited in the sex industry, and others that improve the social inclusion of older people.

- In Scotland, Wales and Northern Ireland the ESF budget amounts to £1.4 billion. Some 60% of ESF-funded projects identifiably target people with one or more protected characteristic under the Equality Act 2010, other disadvantages, such as homelessness, and complex needs including addictions. For example, Agile Nation is a project run by the charity Chwarae Teg. It has been awarded £6.3 million to promote gender equality and career advancement, and to contribute to the reduction of the gender pay gap. It is helping improve the position of women in the workforce in the construction and other priority sectors, and so far has trained 2,921 women, 349 of whom subsequently progressed to more senior roles. It has supported 504 businesses to improve their diversity and modern working practices.
- The INTERREG fund 2014-20 is part of the ERDF and operates in each of the four UK administrations and in the Republic of Ireland. Its purpose is to address problems that relate to the existence of borders, and promote economic, social and territorial cohesion. It is worth £234.8 million in Northern Ireland and the Republic of Ireland. One investment is aimed at supporting 4,000 socially isolated disabled people, 8,000 people recovering from mental illness, and services for older people.
- The PEACE fund in Northern Ireland, also part of the ERDF, is currently £224.1 million. It supports the ongoing peace process – and therefore people’s human right to live free from violence. Recently, the British government noted that PEACE funding ‘has played a significant role in advancing cohesion between communities and promoting economic and social stability’. It committed itself as part of the Brexit negotiations to seek to continue the current PEACE IV programme as well as consider how PEACE funding might be secured post-Brexit.<sup>1</sup>

The Government has said it will honour ESF and ERDF commitments for projects agreed to 2020, as long as they demonstrate value for money and align with ‘domestic priorities’. However, these domestic priorities have yet to be determined and, as yet, there are no guarantees that they will continue to include equality and human rights.

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<sup>1</sup> HM Government (August 2017), *Northern Ireland and Ireland – position paper*, p.6 available here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/638135/6.3703\\_DEXEU\\_Northern\\_Ireland\\_and\\_Ireland\\_INTERACTIVE.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638135/6.3703_DEXEU_Northern_Ireland_and_Ireland_INTERACTIVE.pdf)

The Government is considering plans for replacements of some funds, such as the ESF being replaced by a Shared Prosperity Fund, but they have yet to consult on and determine the scope and focus of that Fund. And they have, to date, made no announcements on replacements for the Rights Equality and Citizenship programme.

Ministers should work closely with the voluntary and community sector and other partners to develop plans to replace these funding programmes.

### **Equality drivers**

EU funding programmes include a number of criteria, conditions and levers that ensure the monies address the inequality and disadvantage faced by so many people in the UK. These drivers create an essential framework that enables innovation, best practice and accountability. The Government should carry them forward and improve upon them in successor funds.

For example, regulations state that all the projects funded under these programmes must incorporate the following cross-cutting themes (CCTs):

- Equal opportunities and gender mainstreaming
- Tackling poverty and social exclusion
- Sustainable development.

The UK Government adopted a set of principles to meet the requirements of the CCTs. These are supported by the EU requirement to address the needs of those at most risk of discrimination; and by additional principles specific to the four administrations. See Section 5.2 for details.

The Government also sets out expectations for how the bodies responsible for distribution and management of the funds, known as Managing Authorities, will embed the principles.

There are fund-specific thematic priorities: for example, one of the ESF's four thematic priorities is 'to promote social inclusion, and combat poverty and any discrimination'.

There are also fund-specific participation targets. For 2007-2013 in England, the top-level ESF equality targets set were 51% women, and 19% each for BAME, disabled people, and people over the age of 50. Monitoring by the Department of Work and Pensions (DWP) identified where targets were met and where there were shortfalls, demonstrating where real changes had been made and where additional effort was needed.



The research identified two further examples of good practice measures that helped ensure higher levels of participation by people from disadvantaged groups:

- An evaluation of the development and delivery of CCTs for the 2007-2013 Structural Funds in Wales found that having a dedicated CCT team to provide guidance and support enabled the effective use of CCTs, making Wales a leader in the EU in the field.
- The Employment and Skills Funding Agency used its procurement and contract management arrangements to ensure gender mainstreaming and equality of opportunity were integrated into services provided through its three ESF programmes 2012-15 (Skills Support for the Unemployed and Apprenticeship Grant for Employers; Skills Support for Redundancy; and Workplace Learning).

Building these levers into successor programmes will help the Government to deliver on their equality priorities and their duties under the Equality Act 2010, create more inclusive growth and communities, and make a real difference in people's lives.

### Improving value for money, performance and delivery

The CCTs, equality principles, and use of fund-specific priorities and targets that relate to equality and human rights, provide a sound framework for designing initiatives that benefit people facing abuse, disadvantage, discrimination and barriers in the labour market.

However, the research identified that the framework could be better used to target resources, monitor actual performance and drive up delivery on outcomes. In particular, it showed that much of the data on the use of funds is complex, unhelpful and lacks transparency.

It is particularly difficult to determine the extent to which equality and human rights commitments are being delivered. Effective collection and use of equality data would improve targeting and ultimately delivery and value for money.

In addition, all stakeholders identified the overly bureaucratic processes involved in EU funding. These create barriers for both cost-effective delivery and the accessibility of funding for voluntary and community organisations who have the necessary reach into disadvantaged target communities. Stakeholders

also identified the need for longer term funding options, and an enabling infrastructure to support local and grassroots work. Both are essential to effective interventions and change on the ground.

Future funding should therefore take the opportunity to remedy these shortcomings, and improve targeting, outcomes and value for money.

### Avoiding missed opportunities

The Government's proposed Shared Prosperity Fund to replace the ESIF gives the UK a fantastic opportunity to invest in a comprehensive programme to tackle the injustices and discrimination that hold people back and hinder inclusive growth and productivity. However, there is a risk this opportunity will be missed.

If, for example, the Shared Prosperity Fund focuses on economic inequalities based on geography alone, or on business development alone, many of the people and communities who are currently targeted by EU programmes (and many of whom face multiple or complex barriers including discrimination) would be likely to lose out.

Similarly, if it does not set high level equality priorities and support delivery of those priorities through the kinds of key equality drivers currently used in EU programmes (described above) there is a significant risk that if any progress is achieved, it will be patchy and unsustainable.

The people section of the Government's Industrial Strategy,<sup>2</sup> published in November 2017, makes a strong case for an inclusive workforce that is good for people, business and productivity. It references several initiatives already underway. These include targets for BAME and disabled apprentices, the introduction of gender pay gap reporting, the Race Disparity Audit, promoting flexible working, and their strategy for moving one million disabled people into work in ten years.

But, the funding commitments required to deliver any significant change in these areas are largely missing from the Industrial Strategy. The only investments specified are £5 million for the return to work programme, and the £60 million apprenticeship programme, only part of which is relevant in this context to the extent that it will increase apprenticeships for BAME and disabled

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<sup>2</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf)

people. Yet the Industrial Strategy commits over £54 billion of investment in other areas.

Likewise, the subsequently published disability strategy, 'Improving Lives: the Future of Work, Health and Disability'<sup>3</sup> (also published in November 2017), seems to contain no significant investment plans to achieve the goal of getting one million disabled people into work.

Finally, the 2016 National Infrastructure Delivery Plan for 2016-21, which has over 600 projects totalling some £483 billion of investment of public funding<sup>4</sup>, is silent on equality.

There is a risk that the Shared Prosperity Fund will follow a similar pattern. Instead, the Shared Prosperity Fund should seize the opportunity to invest in a comprehensive programme to tackle injustice and inequality. It should set bold equality priorities, and apply the equality framework of CCTs and principles used by the Government in ESIF funding.

The Government should ensure that the DWP and civil society organisations (especially those able to share learning on gender and equality mainstreaming) are fully engaged in developing the Shared Prosperity Fund. This will help the Department for Business, Energy and Industrial Strategy and the Ministry for Communities, Housing and Local Government, who are currently leading on it, to make it fit for purpose.

Additionally, applying the equality framework of CCTs and principles across delivery of all Industrial Strategy initiatives (and any outstanding or future National Infrastructure Delivery Plan projects) would drive more consistent and coherent progress. That would be strengthened if backed up by practical support for, and improved monitoring of, implementation, along with equality and human rights procurement requirements.

## Devolution

It will be important that the setting of national priorities (which will be used to determine both whether both funding for projects agreed to 2020 and future funding arrangements are honoured) does not undermine the devolution agreements in Northern Ireland, Scotland and Wales.

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<sup>3</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF)

<sup>4</sup> Disability Rights UK briefing to EDF, 2017

The research identified key questions that the Government needs to address around the purpose and status of the proposed Shared Prosperity Fund in particular and how this, and whatever domestic priorities are identified, align to the priorities and expectations of the three devolved nations and the English regions.

Such questions include: What will the position be if there is no such alignment? How might this impact on the devolution agreements? What will be the mechanics of funding transfers for monies held in a national fund for projects that under the ESF programme were paid to and managed by the devolved nations?

### Impact on the voluntary and community sector

There is significant concern across the voluntary and community sector (VCS) about the potential loss of the structural funds and other funds, such as the REC Programme.

This is partly about the loss of EU funding to VCS organisations and the resulting loss of capacity to provide much-needed services, which would threaten the sustainability of some organisations involved.

NCVO has calculated that VCS organisations in the UK receive a minimum of £300 million<sup>5</sup> from the EU. (This is a minimum figure because it does not include all funds, match-funding or subcontracting arrangements.)

While this is a relatively small proportion of VCS funding overall, it is nonetheless significant to the organisations that rely on it to provide vital services, for example:

- The Agile Nation project in Wales run by the charity Chwarae Teg, described above, has a budget of £6.3 million.
- A recent Fawcett Society briefing<sup>6</sup> highlighted the example of two women's organisations providing health and social care and domestic

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<sup>5</sup> David Kane (December 2016) *What do we know about charities and the European Union?* <https://blogs.ncvo.org.uk/2016/12/16/what-do-we-know-about-charities-and-the-european-union/>

<sup>6</sup> <https://www.fawcettsociety.org.uk/european-withdrawal-bill-committee-stage-briefing>

violence services that are set to lose 14% and 40% of their funding respectively.

- The Law Centres Network has relied on EU funding to enable Law Centres to use their expertise to tackle systemic problems in local communities. The EU awarded them £367,000 in last three years, including a two-year project to enable the successful inclusion and participation of EU citizens living in the UK, and tackle labour market exploitation of vulnerable migrant workers.
- A project run by Age UK Walsall, awarded £221,876, is offering support to older people over 50 to build confidence, increase social inclusion, develop transferable skills, address health issues and encourage volunteering.

And the situation is all the more acute because, as VCS organisations told us, EU funds often enable work on difficult issues and with groups for which there are insufficient alternative sources of funding. This includes hate crime, discrimination, workers at risk of exploitation, and women with complex needs including addiction, homelessness, contact with the criminal justice system, and mental ill health. For example, Summit House Support was awarded £239,038 to provide support to extremely marginalised individuals, including those living with HIV and LGBTQI people, to improve their health, wellbeing and social skills, and to develop their employability skills.

There are even greater concerns in the sector about the impact of funding losses on the people and communities that face disadvantage, abuse, and discrimination. Unless money from the EU to tackle these issues is replaced, the situation for these people is likely to worsen.

This in turn will increase the pressure on the VCS, and without replacement resources, the sector will be unable to play its part.

Finally, it is not at all clear where replacement funding could come from if not from Government. Government funding is already the second largest source of income to charities (32%) after individual donations (45%)<sup>7</sup>. Trusts and foundations' grant-making provides only part of the remaining 21%, along with the private sector and investments. The Association of Charitable Foundations (ACF) estimate that, at £6.5 billion, foundation grant-making is equal to less

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<sup>7</sup> NCVO's Civil Society Almanac 2017 <https://data.ncvo.org.uk/a/almanac17/income-sources-2/>

than half (43%) of the £15 billion total government spending in the voluntary sector<sup>8</sup>. As ACF note, 'Despite [foundations'] enormous contribution, foundation spending is a drop in the ocean when compared to total government spending of £762 billion.'<sup>9</sup>

This means foundations will be highly unlikely to be able to increase their grant-making to cover the loss of the billions of pounds of EU funds currently going to help disadvantaged communities, nor the hundreds of millions going to the VCS to provide essential support to those communities.

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<sup>8</sup> ACF Foundation Giving Trends 2017  
[http://www.acf.org.uk/downloads/publications/ACF135\\_Foundation\\_Giving\\_Trends\\_2017\\_SP\\_FINAL.pdf](http://www.acf.org.uk/downloads/publications/ACF135_Foundation_Giving_Trends_2017_SP_FINAL.pdf)

<sup>9</sup> ACF, *ibid*

## Recommendations to the UK Government: Provide successor funding

### **The Shared Prosperity Fund**

1. We welcome the proposal to replace the European Social Fund. The proposed Shared Prosperity Fund (SPF) must have a people and equality focus to make sure it reaches those experiencing discrimination and disadvantage, and helps drive prosperity for all.
2. The framework of equality drivers built into the design and delivery of EU funding programmes should be applied to the SPF. In particular, if the SPF is to be grounded in the Government's Industrial Strategy, this Strategy must be strengthened so that it is consistently underpinned by the principles of equality, human rights, and gender mainstreaming. It must include support for monitoring effectiveness and measuring impact.
3. The EDF supports the overarching design principles put forward by the National Council for Voluntary Organisations//Employment Related Services Association (ERSA) Working Group on a successor programme to the European Social Fund (to which we contributed)<sup>10</sup>. We call on the Government to continue active and positive engagement with this group and its recommendations.

### **Other funds critical for equality and human rights** (e.g. The Rights, Equality and Citizenship (REC) Programme, PEACE programme)

4. The Government should commit to replacing the Rights, Equality and Citizenship (REC) and INTERREG programmes that support the delivery of domestic equality and human rights work at both national and local levels. Proposals should be developed and consulted on, including consideration of appropriate distributors, such as the Big Lottery Fund or other suitable body.

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<sup>10</sup> <http://ersa.org.uk/media/news/increase-uk-productivity-and-reduce-inequalities-post-brex-it-world-leading-initiative>

5. The Government should consider using some of the Unclaimed Assets Fund to replace programmes such as REC which (rightly) do not fall within the scope of the SPF.
6. The Government's commitment to the continuation of the PEACE programme in Northern Ireland is welcome. It should continue to work toward sustaining this programme beyond 2020 in order to support future peace and reconciliation work.
7. To avoid gaps in service provision, the design of new funding arrangements should take account of 2014-20 projects that are currently underway, along with their wind-up dates and the lead-in time organisations will need to apply for future funding.
8. The Government should conduct an analysis of European Regional Development Fund databases and those of other funding programmes, such as INTERREG, to identify projects with a focus on equality and human rights and inform the assessment of need and the design of future funding arrangements.

### **Key principles**

9. A framework of equality drivers, including the cross-cutting themes of equality of opportunity and gender mainstreaming should be carried forward to, and actively supported in, all successor funding arrangements. The Government's set of equality principles should continue to be applied. Equality impact assessments should continue to be carried out.
10. Those responsible for distributing future funding should use their procurement and contracting arrangements to ensure that equality, gender mainstreaming and human rights considerations are integrated into the services provided.
11. The Government must consult fully, and work in partnership with, the equality and human rights sector and broader VCS in the development of future funding mechanisms, including the SPF, and the replacement for the REC.
12. Future funding arrangements must be designed in such a way that application, monitoring and reporting requirements are proportionate to minimise the risk of preventing VCS organisations from applying.



13. The Government must ensure that all future funding arrangements place explicit requirements on, and hold Managing Authorities to account for, collecting and analysing equality data so that the impact of funding programmes on people and communities can be assessed.

### **Ensure that equality and human rights remain part of domestic priorities in practice**

14. UK domestic priorities that shape funding decisions should be underpinned by equality and human rights principles. They should include equality and human rights targets and robust, transparent mechanisms for monitoring effectiveness and measuring impact.
15. The views of the devolved nations and the English regions must be integral to governments' consultation on, and the development of, UK domestic priorities in order that nation-specific and region-specific priorities can be identified and incorporated as appropriate.
16. A comprehensive Equality Impact Assessment should be carried out in parallel with the development of the UK domestic priorities and informed by stakeholder consultation with active involvement of the VCS.

### **Improve use of equality data**

17. In the short term, it would help the Government to have a clear understanding of the reach of current structural funds to inform the design and operation of future funding arrangements and the development of domestic priorities. Managing Authorities should therefore be asked to collect and analyse equality data and monitor programme delivery for the current and any final funding rounds, as it impacts across the protected characteristics, human rights and in relation to other disadvantaged groups.
18. In the longer term, improvements should be made to how equality data is collected and used in all successor funding arrangements. This will improve targeting and value for money. To facilitate this, the VCS should work with the Government and the devolved administrations to agree an approach, and help ensure consistency and robustness of data collection.

### **Facilitate networks and transnational working**

19. The Government should fund a mapping exercise to determine the networks and transnational work that UK organisations are currently engaged in across all equality and human rights issues. Such mapping was outside the scope of this research, but stakeholders frequently raised the importance of these networks and of transnational partnerships.
20. The Government should use the findings from this exercise to inform its negotiations with the EU around options and opportunities for UK organisations working on equality and human rights issues to continue transnational working and participation in networks, and ring-fence the necessary funding to enable this to happen.

## 1. Introduction and background

Over the years, European Structural and Investment Funds (ESIF) and other funding programmes have targeted billions of pounds of funding at disadvantaged people and communities, thereby contributing to advancing equality and human rights. This has in part been driven by the EU's requirements on equality, including the cross-cutting themes, and their effective implementation on the ground.

While the loss of these funds is a major cause for concern, it is hoped that the Government will put in place alternative funding programmes, underpinned by equality, human rights and mainstreaming principles, so that this important work is sustained. There are lessons to be learned and examples of good practice that can improve and inform the United Kingdom's (UK) approach post-Brexit so that future funding is targeted at and clearly benefits those who continue to suffer discrimination, abuse, disadvantage, poverty and social exclusion.

For example, 60% of the European Social Fund (ESF) projects mapped in Northern Ireland, Scotland and Wales sought to improve the lives of people with one or more protected characteristic covered by the Equality Act (2010).

The objective of this research was to explore the impacts of Brexit on equality and human rights-related funding and programming under the European Structural Funds for disadvantaged people and communities in the UK and the Rights Equality and Citizenship (REC) Programme. It also sought to consider how the Equality and Diversity Forum (EDF) and the Voluntary and Community Sector (VCS) more broadly could inform its own thinking and influence the negotiations on Brexit and the final outcomes in relation to replacement funding and programmes post Britain's exit from the European Union (EU).

Finally, it looks to build a case for non-regression in relation to equality-specific work and equality mainstreaming in government initiatives to tackle discrimination, poverty and exclusion at a local level.

### 1.1. Structure of this report

This report sets out the methodology adopted, the current political and funding context across the UK, and a discussion of the findings of a mapping of funding across the four nations, with a focus on the current 2014-2020

funding round. It also includes an overview of the impact of the 2007-2013 funding round, mainly through case studies which seek to show how UK/EU funding programmes have had an effect on people and communities on the ground, and how gender and equality mainstreaming has been considered.

Contributions from key stakeholders, including a roundtable in July 2017 organised by EDF, and interviews with two Managing Authorities, umbrella VCS organisations in the devolved administrations, and one Local Enterprise Partnership (LEP), informed this research. The report concludes with a discussion of the issues emerging out of the research, which require attention in the short, medium and longer term to ensure the orderly distribution and spend of approved funds, as well as recommendations on the way forward.

## 1.2. Methodology

The researchers developed a methodological framework, setting out how the work would progress and meet the research objectives within the agreed timescale. This included desk research, interviews, consultation and an interrogation of the data sets for each of the funds in each of the four nations for the 2014-2020 round, which were mapped against an agreed set of issues and the protected characteristics in the Equality Act 2010 and other characteristics, for example, ex-offenders.

The research identified human rights-specific work through examining the data sets for Northern Ireland, Scotland and Wales, although this was slightly hindered by the lack of detail in the way the data was presented (see Section 3.6).

Completing a similar exercise for England proved problematic mainly because of the volume of data involved and the difficulty in accessing information specifically related to equality and human rights. As a result, it was agreed that, for England, an alternative approach would be taken – namely, an overview of three of the main distributors of ESIF funding, and an analysis of one specific area, the Black Country, as a list of all ESF projects in that area was made available.

The research also wanted to try to identify what impact access to ESIF funds had in enabling projects to deliver outcomes for individuals, groups or communities with a focus on equality and human rights. Given that the current round of funding is still underway, the emphasis was on projects that

ran during the 2007-2013 round of funding. While there are a large number of evaluation reports at the level of ESIF programming, the level of detail included within those is patchy, particularly around actual outcomes achieved for people and the extent to which projects had delivered the EU's cross-cutting theme on equality of opportunity. It was therefore agreed to use case studies, primarily identified through desk research, to highlight the types of projects carried out in the four nations and showcase the nature of work at a local and regional level, who the beneficiaries were and the outputs and outcomes achieved.

The researchers conducted interviews with third sector umbrella organisations in Scotland, Wales and Northern Ireland; the original plan to also conduct interviews with government officials was changed due to the June 2017 general election being called and the period of *purdah* that followed.

The July roundtable, attended by representatives from VCS organisations and infrastructure bodies, the Big Lottery Fund (BLF), the Employment Related Services Association (ERSA), the Association of Charitable Foundations (ACF), and officials from the Government Equalities Office (GEO) and the Department for Exiting the European Union (DExEU), informed the research and discussed a number of key issues that the work had highlighted to date. These included the proposed Shared Prosperity Fund, the implications of new funding arrangements for the devolved administrations, and the lack of accessible data across the Structural Funds. A note of this discussion is available on request.

Finally, there was a review of relevant policy and position papers. See Appendix A for a list of resources consulted.

## 2. Context for the research

Apart from the priorities set out by the Prime Minister in her Lancaster House speech in January 2017 and the February 2017 White Paper on the UK's exit from and new partnership with the EU<sup>11</sup>, there is little to assist in understanding what the likely impact will be on the VCS of the potential loss of the significant funding it receives from the EU for policy and projects to advance equality and protect human rights. This is part of the reason why EDF has commissioned this research.

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<sup>11</sup> HM Government (February 2017) *The United Kingdom's exit from and the new partnership with the European Union*. London: Crown Copyright

This research started in May 2017, during a period of considerable uncertainty following the Government triggering Article 50 of the Lisbon Treaty. The general election, preceding period of purdah, and the results - which led to a minority Conservative Government - have made the level of uncertainty even more acute.

The Government's White Paper indicated that any ESIF agreements in place at the time of the 2016 Autumn Statement would remain fully funded. There is, however, a qualified commitment for projects signed after the Autumn Statement, which will continue after Brexit, to demonstrate 'strong value for money and [be] in line with the UK's domestic strategic priorities.'<sup>12</sup>

The White Paper also stated that bids made directly to the European Commission by UK organisations would be underwritten beyond Brexit. This would cover initiatives such as Horizon 2020, the EU's research and innovation programme, and health and education programmes.<sup>13</sup> Some of these could have equality and/or human rights implications; however, these are beyond the scope of this report.

The devolved governments have also been promised 'the same level of reassurance' in relation to their funding but there is, as yet, no clarity about what this means in practice. The government has said it will consult stakeholders to 'ensure any ongoing funding commitments best serve the UK's national interests'.<sup>14</sup>

The 8 June election result, the existence of a minority Conservative Government, the ongoing Brexit negotiations, and the positioning of various players in relation to the type of Brexit secured mean that the situation is likely to shift frequently over the next two years. Clearly, this has implications for the work of those seeking to inform and influence funding for EU projects up to 2020 and replacement funding beyond this at national, regional and local levels.

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<sup>12</sup> *ibid*, p.12

<sup>13</sup> *ibid*, p12

<sup>14</sup> *Ibid*, p.12

Questions arise around the purpose and status of the proposed Shared Prosperity Fund<sup>15</sup> and how this, and the domestic priorities identified, align to the priorities and expectations of the three devolved nations and the English regions. What will the position be if there is no such alignment? How might this impact on the devolution agreements? What will be the mechanics of funding transfers for monies held in a national fund for projects that under the ESF programme were paid to and managed by the devolved nations? These and other issues are set out in Section 6 (The way forward – Brexit and beyond).

Overall, going forward, the VCS will be operating in a volatile and changing environment while having to continue to address the increasing pressure of growing demands for services in the face of diminishing resources. In addition, while charitable foundations provide valuable funding to civil society, they do not have access to additional funds and will not be able to increase their grant-making to compensate for the loss of EU funds.

### 3. Overview of 2014-20 funding programmes

This section focuses on the 2014-2020 funding round and summarises the distribution and priorities of the ESF, the European Regional Development Fund (ERDF), including PEACE and INTERREG, and the separate Rights, Equality and Citizenship (REC) programme across the UK.

The European Structural and Investment Fund programmes (ESF and ERDF) aim 'to create more and better jobs and a socially inclusive society'; goals which are at the core of the Europe 2020 strategy for generating smart, sustainable and inclusive growth. The beneficiaries are to include 'disadvantaged people, such as the long-term unemployed, people with disabilities, migrants, ethnic minorities, marginalised communities and people of all ages facing poverty and social exclusion. [The fund can also support] workers, enterprises, including actors in the social economy, and entrepreneurs... [toward]...reducing skill mismatches and promoting good governance, social progress and the implementation of reforms, in particular in the fields of employment, education, training and social policies.'<sup>16</sup>

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<sup>15</sup> The Shared Prosperity Fund is discussed in detail in Section 6.3 of this report

<sup>16</sup> European Commission (November 2015), *European Structural and Investment Funds 2014-2020: official texts and commentaries*. Luxembourg: European Commission  
[http://ec.europa.eu/regional\\_policy/sources/docgener/guides/blue\\_book/blueguide\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/blue_book/blueguide_en.pdf)

Member states in receipt of ESIF funds are allowed to identify and address their own specific challenges as their way of achieving the overall Europe 2020 strategy objectives.

Regulations that govern ERDF and ESF funds state that all the projects funded under these programmes must incorporate the following cross-cutting themes (CCTs):

- Equal opportunities and gender mainstreaming
- Tackling poverty and social exclusion
- Sustainable development

The combined allocation for 2014-20 for ERDF and ESF in the UK is almost €11 billion (£9.13 billion)<sup>17</sup>. The likely spend on the three ESF objectives which have the most focus on equality issues is €5 billion (£4.15 billion).<sup>18</sup>

In addition, PEACE funding in Northern Ireland will be around €270 million (£224.1 million)<sup>19</sup>. Both PEACE and the INTERREG programme are funded through the ERDF.

Table 1 gives an indication of the proposed ESIF spend for the four nations<sup>20</sup>

**Table 1: 2014-2020 ESF and ERDF proposed funding allocations**

Nation	ERDF		ESF	
	EUR €	GBP £	EUR €	GBP £
<i>England (and Gibraltar)</i>	3.6 billion	3 billion	3.3 billion	2.7 billion
<i>Wales</i>	1.4 billion	1.1 billion	1 billion	830 million
<i>Scotland</i>	476 million	395 million	417 million	436 million

<sup>17</sup> Throughout this report, we have used the following conversion rate 1 GBP= 1.2 EUR, which represents the average exchange rate for the last 10 years.

<sup>18</sup> HM Government (13 October 2014) *United Kingdom Partnership Agreement – Equalities Impact Assessment (updated)*. London: Crown Copyright  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/368810/bis-14-1181-equality-impact-assessment-UK-partnership-agreement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368810/bis-14-1181-equality-impact-assessment-UK-partnership-agreement.pdf)

<sup>19</sup> [www.seupb.eu/piv-overview](http://www.seupb.eu/piv-overview)

<sup>20</sup> HM Government (13 October 2014) op.cit. page 11



<i>Northern Ireland</i>	308 million	256 million	205 million	170 million

The separate REC programme has a budget of €439 million (£364.3 million) for the whole of the EU.<sup>21</sup>

### 3.1. The European Social Fund

There are four thematic priorities set by the EU:

- Promoting sustainable and quality employment and supporting labour mobility;
- Promoting social inclusion, combating poverty and any discrimination;
- Investing in education, training and vocational training for skills and life-long learning;
- Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.<sup>22</sup>

The UK Government Equality Impact Assessment (EIA) on the Partnership Agreement for the use of the 2014-2020 ESIF, published in October 2014, concluded that, through an increase in support for interventions, this strategy will contribute to eliminating discrimination, advancing equality, and fostering good relations between people who share the protected characteristics and those who do not. The EIA led to changes in monitoring and evaluation processes with projects now required to monitor the equalities impact of the programmes and underpinning projects.<sup>23</sup>

The ERSA notes that the ESF offers 'crucial investment in education, training and employment [...] targeting some of the most vulnerable groups.'<sup>24</sup> Examples of projects in these areas can be found in Section 4.2.

#### 3.1.1 England

In England, the ERDF and ESF were brought together into a single EU Structural and Investment Funds Growth Programme, managed by the Department for Work and Pensions (DWP). The top priorities for 2014-2020

<sup>21</sup> The figure for REC funding to the UK specifically is not available.

<sup>22</sup> [http://ec.europa.eu/regional\\_policy/en/policy/how/priorities](http://ec.europa.eu/regional_policy/en/policy/how/priorities)

<sup>23</sup> HM Government (13 October 2014), op. cit. p. 38-39

<sup>24</sup> Employment Related Services Association (no date) *European Social Fund (ESF) Investment in the UK*,

included skills and employment, and social inclusion. The Fund is worth £500 million per year delivered through a number of co-financing organisations such as the BBLF, the Education and Skills Funding Agency (ESFA – Formerly the Skills Funding Agency), the National Offender Management Service (NOMS) and the DWP itself.

The Fund's Inclusive Labour Markets priority axis focuses on access to work and support for those not in education or training (NEETs), the long-term unemployed, those with multiple complex barriers, prisoners, prison leavers and ex-offenders. The Skills for Growth priority focuses on building skills capacity among the workforce with key areas including: access to lifelong learning; relevant qualifications and training; increasing the number of high-skilled apprenticeships; in-work progression; the gender pay gap; and skills support for those in Small and Medium Size Enterprise (SMEs).<sup>25</sup>

### **Big Lottery Fund (BLF) – Building Better Opportunities fund**

Through its Building Better Opportunities fund, the BLF is matching funds from the European Social Fund (ESF) 2014-2020. The total BBO fund is £330 million. The amount received by local projects ranges from £330,000 to £10.6 million and the allocation per project is roughly on a 50/50 split (BLF and ESF).

As at September 2017, the Managing Authority (DWP) had committed approximately half of all ESF funds, with the majority committed to co-financing organisations such as the BLF. Further funding may be agreed with the BLF in due course.

There are currently 133 BBO projects across England, co-designed with 38 LEPs who decide on the funding priorities and groups they wish to target, determined largely by each LEP's economic strategy, which means that there will be regional differences.

The LEPs are responsible for building their evidence base, which may or may not have any equality components, although they are bound by the ESF requirements on equality mainstreaming. This is discussed in more detail in Section 7.<sup>26</sup>

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<sup>25</sup>Ibid

<sup>26</sup> Big Lottery Fund presentation at the EDF Roundtable, July 2017 and interview

The South East LEP (SELEP) provides an illustration of how the LEPs are using ESF match funding. SELEP was allocated approximately £70 million for 2014-2020, £50 million of which has been contracted so far for 11 projects across the LEP area. The cohort of people targeted by these projects includes single parents, disabled people and people living in rural areas. One example is a project run by the Papworth Trust in Essex, which supports disabled people and people with long-term health conditions towards employment.

The following case study highlights the difference funding is making to disadvantaged Black, Asian and minority ethnic (BAME) women in London, and Section 3.6 contains an analysis of how the funds are being used to advance equality in the West Midlands.

**Support for long-term unemployed and economically inactive BAME women to improve skills, confidence and employability:  
Create your Future – the Links Partnership**

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> Big Lottery Fund	<b>Location:</b> London
<b>Project objectives</b>	<ul style="list-style-type: none"><li>• BAME women will increase their own confidence, knowledge and networks, enabling them to engage with other services and professionals, take advantage of wider opportunities, and improve their personal circumstances.</li><li>• Organisations will have improved skills, capability and evidence-based models to meet local needs for the future, resulting in improved support for BAME women.</li><li>• Employers will have improved understanding of the barriers for BAME women, enabling them to offer improved pathways to employment.</li><li>• Policy-makers and commissioners will have the knowledge and evidence to design more effective employability programmes for BAME women in the future.</li></ul>		
<b>Project description</b>	This project provides support for long-term unemployed and economically inactive BAME women to improve skills, confidence and employability.		
<b>Impact and sustainability</b>	People from BAME communities face barriers and perform less well in the labour market than white people. The Mayor’s Annual		

Equality Report noted that the gap in employment rates between those from BAME communities was 14.7 per cent, and that the gap in median pay between BAME and white groups was 18.4 per cent. The Europe 2020 goal is to raise the employment rate of women and men aged 20-64 to 75 per cent. The increase in employment in this disadvantaged group will improve the health of the local economy, increasing resource in the area and improving economic sustainability.

The Links Partnership started activity in January 2017. It is on track to reach its target of BAME women accessing the service so far. This is a hard-to-reach group with significant barriers to employment and, accordingly, the typical provision is a ten-week programme with intensive support for each individual, tailored according to their individual needs, with further provision as appropriate.

The Links Partnership will engage 1,300 BAME women in a flexible programme called Create Your Future. As a result of their engagement, the aim is to achieve:

- 454 into employment (including self-employment), of which 299 will sustain employment after six months
- 286 into further education or training
- 416 employment ready and receiving further job search support.

### **Employment and Skills Funding Agency**

The EIA carried out by the ESFA for ESF specifications for 2012-2015 reviews the evidence in support of the targets set for its three programmes of work – Skills Support for the Unemployed and Apprenticeship Grant for Employers; Skills Support for Redundancy; and Work Placed Learning. It identifies positive impact for age, disability, race and sex and neutral impact for the remaining protected characteristics. The evidence for the positive impact is the priority given to each of these groups in the funds. The Agency used its procurement and contract management arrangements as a means of ensuring that gender mainstreaming and equality of opportunity was integrated into services.<sup>27</sup>

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<sup>27</sup>Skills Funding Agency (November 2012) *Equality Impact Assessment For European Social Fund (ESF) Specifications 2012-2015*. Available here:

The Employment Related Services Association (ERSA) estimates that the ESFA has previously awarded 6.4% of ESF to the charitable sector, which equates to circa £32 million in the current funding period. Around £72 million of Big Lottery funding goes to the sector ERSA, but an exact figure cannot be determined from the information available. However, with cross-departmental working such an analysis is thought to be 'absolutely feasible'.<sup>28</sup>

### **National Offender Management Service (NOMS)**

The NOMS is a third major co-financing organisation receiving over £31 million for 2014-2020 to help disengaged and socially excluded individuals with a history of offending to enter mainstream services or employment in London and the East of England. In London, beneficiaries include women exploited in the sex industry, non-English speakers from the EU, young people involved in gangs and those with mental health issues. In the East of England, there is a focus on those serving life sentences, those who have personality disorders, women and ex-armed forces personnel. Interventions include employment support, work experience and placements, short courses, and training and support for individuals with complex needs.<sup>29</sup>

### 3.1.2 Northern Ireland

The Department for Employment and Learning reports that the ESF programme will be delivered through the implementation of the three thematic objectives of sustainable and quality employment; social inclusion and combatting poverty and discrimination; and investing in education, training and vocational training. €146.3 million (£122 million) of the ESF fund has been allocated to the first objective, €154 million (£128.3 million) to the second objective and €205 million (£170.8 million) to the third. The EU contribution makes up 40%.

In relation to sustainable and quality employment, the largest groups of beneficiaries are those who are outside the labour market and require support, and young people. Four projects focus on women and one on ex-offenders. The list of beneficiaries is diverse, and includes the Prince's Trust, Derry Youth and Community Workshop, Enterprise Northern Ireland, Disability Action, Extern Northern Ireland and the Shankill Women's Centre.

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[http://dera.ioe.ac.uk/18382/1/Equality\\_Impact\\_Assessment\\_for\\_European\\_Social\\_Fund\\_%28ESF%29\\_Specifications\\_2012-2015.pdf](http://dera.ioe.ac.uk/18382/1/Equality_Impact_Assessment_for_European_Social_Fund_%28ESF%29_Specifications_2012-2015.pdf)

<sup>28</sup> [www.ersa.org.uk](http://www.ersa.org.uk) op. cit.

<sup>29</sup> <https://www.changegrowlive.org/what-we-do/our-services/criminal-justice/noms-cfo3-new-employment-programme-hard-reach-groups>

In relation to social inclusion, poverty and discrimination, the beneficiaries are just as diverse and include major disability and mental health charities, a local community development organisation, social enterprises and trusts, and a housing association. Ten of the funded projects focus on people with a learning disability and another ten cover a range of different impairments including visual and hearing impairments. Five projects aim to support families with a high level of need to develop capacity and potential.

The Department for the Economy commenced the second call for bids during 2017 with a view to having projects approved for April 2018 and then to run until March 2022.<sup>30</sup>

### 3.1.3 Scotland

In Scotland, ESF for the 2014-2020 funding period will be 465 million Euros (£387.5 million) and a number of the Strategic Interventions will have a focus on equality and human rights issues.<sup>31</sup>

One priority is aiming to tackle inequalities and support community bodies through a Challenge Fund, managed by the Scottish Government, for projects run by the community and voluntary sector, and working through local partnerships to deliver 'community-led solutions that tackle inequalities and improve outcomes'. The Youth Employment Initiative is supporting young unemployed people aged 16–29 into education, training and employment through the Scottish Funding Council and eleven local authorities.

Under this priority, Developing Scotland's Workforce, Skills Development Scotland and the Scottish Funding Council will roll out new work-based learning opportunities for young people, modern apprenticeships, vocational skills and additional activities to address regional skills gaps and shortages.

Skills Development Scotland (SDS) will work with local authorities on the employability priority to support unemployed people, including those with a disability, ex-offenders and those isolated due to geography or poor educational attainment. Local authority plans mainly focus on those who are facing multiple barriers to employability with a number focusing on younger people and other target groups, including young parents, disabled people,

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<sup>30</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/del/ni-european-social-fund-programme-2014-2020.pdf>

<sup>31</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/del/ni-european-social-fund-programme-2014-2020.pdf>

under-employed migrants, older people over 50 years of age, and carers. A range of interventions are on offer such as debt and money advice, health rehabilitation, training, mentoring, work placements and key worker support.

Under social inclusion and poverty reduction, local authorities will distribute priority funds across the country. A number of projects seek to improve financial capacity, with others addressing employability and skills, energy, fuel poverty and childcare. Some projects focus on particular groups such as people with a learning disability, lone parents, younger people, homeless people and vulnerable families. Examples include the BLF, which is supporting services to increase financial capacity and address social exclusion, and the Scottish Government's Social Economy Development Programme, which is using part of the fund contribution to 'support growth and increase the capacity and sustainability of social economy organisations to deliver support programmes to disadvantaged areas and groups.'<sup>32</sup>

### 3.1.4 Wales<sup>33</sup>

The Managing Authority in Wales is the Welsh European Funding Office (WEFO), which has set out a range of specific priorities for its ESF funds. Under employability, there is a focus on those most at risk of poverty, the long-term unemployed aged over 25 facing complex barriers, and people who have work-limiting health conditions or other barriers to sustainable engagement with the labour market.

The four objectives under Skills for Growth include those with no or low skills, increasing the number of people with technical and job-specific skills and graduates working in research and innovation. There is also a focus on improving the position of women at work. In the area of youth employment, projects will target NEETs and those at risk of becoming NEET, an increase in attainment levels in Science Technology Engineering and Mathematics (STEM) subjects for 11-19 year olds, and increasing the skills of the Early Years and Childcare workforce.

Thus far, a total of £594.6 million has been allocated to 42 projects, with providers representing a mix of local and national government, the further education sector and the third sector. For example, Agile Nation 2, a project run by Chwarae Teg, has been awarded £6.3 million to promote gender equality

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<sup>32</sup> <http://www.gov.scot/Topics/Business-Industry/support/17404/EuropeanStructuralFunds>

<sup>33</sup> [http://www.wcva.org.uk/media/4587289/01\\_overview\\_of\\_esi\\_funds\\_2014-2020\\_e.pdf](http://www.wcva.org.uk/media/4587289/01_overview_of_esi_funds_2014-2020_e.pdf)

and career advancement, and contribute to the reduction of the gender pay gap.<sup>34</sup> Another project run by the Welsh Government was awarded £24.5 million to tackle poverty by offering tailored mentoring and employment support to 'hard-to-reach' groups. This included economically inactive over-25 year olds with low or no skills, people over 54 years old, people with work-limiting health conditions or disabilities (including substance or alcohol abuse), those with care or childcare responsibilities, people from jobless households, and people from BAME backgrounds. Other projects cover the range of employability activities, such as work experience programmes and industry-specific training and development.

### 3.2. The European Regional Development Fund

The ERDF aims to contribute to the Europe 2020 strategy for smart, sustainable and inclusive growth through its Investment Priorities that, within EU Member States, allow for flexibility at the level of operational programmes and between different categories of regions.<sup>35</sup> The aim is to support and reinforce economic, social and territorial cohesion by redressing regional imbalances.

Depending on which category of regions the ERDF support, funding concentrates on research and innovation, information and communication technologies (ICT), SMEs, and promoting a low-carbon economy. One of the fund's priorities is to promote social inclusion, combat poverty and any discrimination, particularly in marginalised communities, the definition of which varies according to geography. However, as pointed out by one interviewee, it is difficult to assess the impact of ERDF on equality because the outputs and outcomes focus on business outcomes.

The research identified some ERDF projects that have a specific focus on equality characteristics. For example, Enterprise in the City, based in London and run under the auspices of the Prince's Trust, which is working with 800 young entrepreneurs;<sup>36</sup> and a project on 'servitization' for SMEs in Greater Birmingham and Solihull LEP area which is taking into account the promotion

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<sup>34</sup> More information about this project is available here: <https://www.agilenation2.org.uk/>

<sup>35</sup> Official Journal of the European Union 2013 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R1301>

<sup>36</sup> See ERDF project list: [www.london.gov.uk](http://www.london.gov.uk)



of equality and the protected characteristics in adapting business models to offer customer services.<sup>37</sup>

However, an in-depth search of available databases across the UK would need to be undertaken to determine the extent to which projects have a specific focus on the equality characteristics or human rights.

ERDF funding is also delivered through the PEACE programme in Northern Ireland and INTERREG in Northern Ireland and Scotland, both of which are discussed in sections 3.4 and 3.5 below.

### 3.3. The Rights, Equality and Citizenship Programme

The European Commission-funded REC Programme is separate and additional to ESIF funds. REC's overall objective is to contribute to the further development of an area where equality and the rights of people are promoted, protected and effectively implemented.<sup>38</sup> Its total budget for 2014-2020 is 439 million Euros (£364.3 million). Its specific objectives are:

- To promote the effective implementation of the principle of non-discrimination on grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation and respect the principle of non-discrimination as per Article 21 of the Charter of Fundamental Rights and Freedom;
- To prevent and combat racism, xenophobia, homophobia and other forms of intolerance;
- To promote and protect the rights of persons with disabilities;
- To promote equality between women and men and advance gender mainstreaming;
- To prevent and combat all forms of violence against children, young people and women as well as violence against other groups at risk, in particular groups at risk of violence in close relationships and to protect victims of such violence;
- To promote and protect the rights of the child;

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<sup>37</sup> Minutes of the Growth Programme Board equality sub-committee, November 2016  
<https://www.gov.uk/government/groups/growth-programme-board#past-meeting-documents>

<sup>38</sup> [http://register.consilium.europa.eu/doc/srv?!=EN&t=PDF&gc=true&sc=false&f=PE%2089%202013%20INIT&r=http%3A%2F%2Fregister.consilium.europa.eu%2Fpd%2Fen%2F13%2Fpe00%2Fpe00089.en13.pdf&\\_cldee=cGxhdGZvcm1Ac29jaWFscGxhdGZvcm0ub3Jn](http://register.consilium.europa.eu/doc/srv?!=EN&t=PDF&gc=true&sc=false&f=PE%2089%202013%20INIT&r=http%3A%2F%2Fregister.consilium.europa.eu%2Fpd%2Fen%2F13%2Fpe00%2Fpe00089.en13.pdf&_cldee=cGxhdGZvcm1Ac29jaWFscGxhdGZvcm0ub3Jn)

- To contribute to ensuring the highest level of protection of privacy and personal data;
- To promote and enhance the exercise of rights deriving from citizenship of the European Union;
- To enable individuals in their capacity as consumers or entrepreneurs in the internal market to enforce their right deriving from European Union law.

Funding goes to non-governmental organisations, public authorities, academics and other organisations that carry out activities that further REC aims. The main types of activities funded include training, mutual learning, such as sharing good practice, and research. All activities must provide added value at EU level, so the results must benefit more than one EU Member State. REC projects therefore tend to consist of partnerships between organisations from different EU countries. The European Commission manages the programme directly.

A mapping of Rights, Equality and Citizenship projects funded in the EU since 2014 shows that out of 140 projects 42, or just over one third, had a UK lead or partner.

It is too early to assess impact of the projects currently underway. An overview of a sample of these projects as follows gives an idea of the types of funded projects with a clear focus on equality and human rights issues.

## **Hate crime**

### **Facing all the facts - building capacity to monitor hate crime and hate speech through online hate speech.**<sup>39</sup>

The UK partners are the National Police Chief's Council for England and the Community Security Trust (CST). The project outcomes include: improved knowledge of the gaps and opportunities in relation to cooperation on hate crime and hate speech recording; greater clarity on the needs of specific victim communities; better understanding of the impact of hate crime and the barriers affecting different victim groups; and an improved ability to build robust evidence to legally prove hate motivation and understand how to keep vulnerable victims engaged in the criminal justice process.

## **Violence against women**

### **TRAVAW: training of lawyers on the law**

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<sup>39</sup> <http://facingfacts.eu/node/118>

The UK partners are the Bar Council of England and Wales and the Bar Council of Northern Ireland. The objective is to train lawyers in seven Member States, including the UK, in support for women who suffer gender violence and also in relation to gender-specific issues, as well as to share good practice and develop transferable working practices. Outputs will include training material and national seminars to ensure participants have a learning experience and improve their knowledge of relevant national and EU law.

## **Learning disability and exploitation**

### **HOPE: helping ourselves prevent exploitation**<sup>40</sup>

This project is led by the British Institute of Learning Disabilities. The objectives include a reduction in the vulnerability of women and children with intellectual disabilities to sexual exploitation and an increase in knowledge and confidence to recognise, resist and report it. The intention is also to provide learning for professionals and improve multi-disciplinary responses and cooperation. It is expected that the resources developed will enable replication and roll-out locally and regionally both in the UK and across Europe.

## **Homophobia and transphobia**

### **DIVERCITY: preventing and combating homophobia and transphobia in small and medium cities across Europe**

Led by the University of Barcelona, the UK partner is Nottingham city. The project will facilitate an exchange of experiences and good practice, and propose and promote organisational, legal and social measures to combat homophobia and transphobia. A database will become a main instrument for the registration and analysis of cyber hate and the complaints app will be the method of choice for users to report to trusted partners.

## **Participation, inclusion and rights**

### **The Living Rights Project**

The project is led by Law Centres Network UK working with a range of partners in the UK, including law centres in Avon and Bristol, Newcastle, the London Borough of Lambeth, and Derbyshire. The objective is to promote participation and inclusion of newly arrived EU citizens by raising their awareness of the rights they hold, and the awareness of public service providers to improve their procedures. The project delivers awareness raising

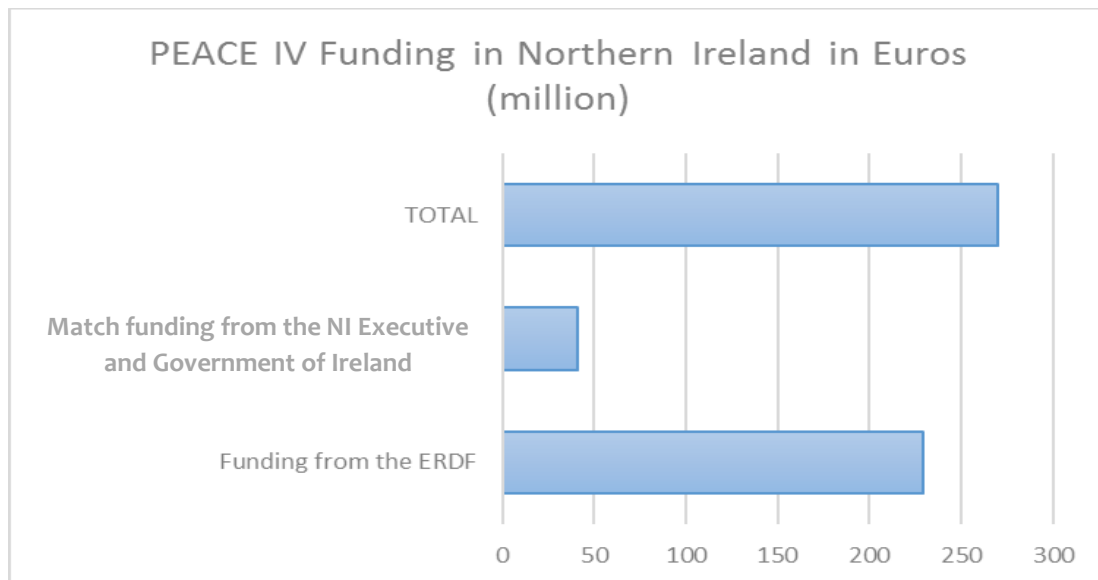
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<sup>40</sup> <http://www.bild.org.uk/resources/cse-and-ld/hope/>

and outreach information sessions at local level, workshops for public officials, and town hall meetings to encourage civic participation in the voting process.

### 3.4. PEACE IV

PEACE IV has a €270 million (£224.1 million) budget of which 85% (€229 million/£190 million) is provided through the ERDF. The remainder is match-funded by the Government of Ireland and the Northern Ireland Executive.<sup>41</sup>



Operating since 1995 and unique to Northern Ireland, the European Union established the fund to:

‘make a positive response to the opportunities presented by developments in the Northern Ireland peace process...especially the announcements of cessation of violence by the main republican and loyalist paramilitary organisations.’<sup>42</sup>

Thus, it represents the EU’s commitment to supporting the peace process and reinforcing progress toward a peaceful and stable society in Northern Ireland and the border region of Ireland. The VitalLinks Project review of PEACE III identified some of the successes of this programme as tackling sectarianism and racism, developing useful models of peace building and conflict transformation, and improving the VCS governance structures. It demonstrated how certain areas, small groups and individuals have dramatically benefitted.<sup>43</sup>

Recently, the British government noted that PEACE funding, ‘has played a significant role in advancing cohesion between communities and promoting economic and social stability’ and committed itself, as part of the Brexit

<sup>41</sup> [www.sepub.eu](http://www.sepub.eu)

<sup>42</sup> The VitalLinks project. A review of PEACE III and considerations for PEACE IV [www.nicva.org](http://www.nicva.org)

<sup>43</sup> Ibid

negotiations, to seek to continue the current PEACE IV programme as well as consider how PEACE funding might be secured post-Brexit.<sup>44</sup>

The Objectives of Peace IV are Shared Education, Children and Young People, Shared Spaces and Services and Building Positive Relationships.

As of July 2017,<sup>45</sup> 31 awards had been made. One is a £11,366,640 contribution to the Victims and Survivors Service to support victims and survivors of the conflict in Northern Ireland and their families, to be delivered in conjunction with the VCS. The programme will deliver advocacy support to 6,300 people with 11,350 receiving casework or resilience support.

The remaining 30 awards are to 10 local authorities who will develop Local Action Plans. Each will be funding projects under the three priorities of Children and Young People, Shared Spaces and Services and Building Positive Relationships.

In relation to children and young people, the aim is to build relationships 'with others of a different background and make a positive contribution to building a cohesive society'. Over the funding period the target is to help over 7,400 14-24 year olds from marginalised communities develop their 'soft skills and a respect for diversity'. A second initiative will target 36,000 young people in terms of their 'distance travelled' around good relations, personal development and citizenship. Examples of initiatives include cross-community sports engagement; early intervention with intercultural awareness sessions; a personal development, health and community engagement initiative targeting 11-18 year olds; and a capacity building and youth leadership development programme for 12-24 year olds.

37 Shared Spaces and Services projects will support local initiatives that facilitate the sustained usage, on a shared basis, of public areas or buildings making them more inclusive, and addressing issues such as flags, emblems and graffiti based on religion or race. There will be capital projects to tackle residential segregation that increases social division and tension.

The Building Positive Relations priority will fund projects designed to create meaningful, purposeful and sustained contact between people from different

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<sup>44</sup> HM Government (August 2017), *Northern Ireland and Ireland – position paper*, p.6 available here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/638135/6.3\\_703\\_DEXEU\\_Northern\\_Ireland\\_and\\_Ireland\\_INTERACTIVE.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/638135/6.3_703_DEXEU_Northern_Ireland_and_Ireland_INTERACTIVE.pdf)

<sup>45</sup> <https://www.seupb.eu/piv-overview>

communities. Projects include: a cross-border literary trail; a programme to create local history and culture trails and activity hubs; and a cross-community training programme to de-stigmatise mental health issues for young men and women from 'hard-to-reach' communities.

The Shared Education priority will focus on 'direct, sustained, curriculum-based contact between pupils and teachers [...] to promote good relations and enhance skills and attitudes to contribute to a cohesive society'. The outputs include the involvement of 350 schools and 144,000 participants.

### 3.5. INTERREG

This programme, also known as European Territorial Cooperation, operates in each of the four nations. Northern Ireland and the West of Scotland, in particular, appear to have projects that have a focus on individuals and communities from an equality perspective. The purpose of the INTERREG programme is to address problems that arise from the existence of borders.<sup>46</sup> The aim is to promote greater levels of economic, social and territorial cohesion, and initiatives must involve at least two Member States. The programme is worth €283 million (£234.8 million) for work in Northern Ireland and the Republic of Ireland, of which 85% comes from the ERDF, with the remainder match-funded by the Northern Ireland Executive and the Government of Ireland.<sup>47</sup>

One of the four priority axes is Health and Social Care, which clearly has equality and human rights implications. For example, the contribution of €53 million (£44 million) is seeking the following outputs:

- community support services for 4,000 socially isolated disabled people
- supporting 8,000 people recovering from mental illness
- interventions to benefit 5,000 vulnerable families and;
- supporting services for older people.<sup>48</sup>

It also appears that the Royal National Institute for the Blind (RNIB) Scotland has received funding this round. An example of INTERREG legacy is the Sensory

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<sup>46</sup> See SEUPB [http://www.seupb.eu/2014-2020Programmes/INTERREGV\\_Programme/INTERREGV\\_Overview.aspx](http://www.seupb.eu/2014-2020Programmes/INTERREGV_Programme/INTERREGV_Overview.aspx)

<sup>47</sup> Ibid

<sup>48</sup> This includes funding going to initiatives in the border region of the Republic of Ireland

Engagement Programme online resource for service providers launched in 2014 by RNIB Northern Ireland.<sup>49</sup>

The Ireland-Wales programme supports work to address social challenges on the south-east coast of Ireland and in west Wales.<sup>50</sup>

### 3.6. Equality and Human Rights ESF projects

#### Northern Ireland, Scotland and Wales

The research reviewed ESF projects for Northern Ireland, Scotland and Wales, and identified 211<sup>51</sup>. The mapping looked at the types of issues that were being addressed as well as the characteristics of beneficiaries. Some projects cover multiple issues and are therefore counted in the tables more than once.

Table 2 shows that over one half of the projects focused on skills and experience, following the ESF programme priority of 'Skills for Growth'. It further shows that over half of the projects mapped focus on people with specific equality characteristics.

**Table 2: Issues addressed by ESF funding in Northern Ireland, Scotland and Wales (211 projects in total)**

Issues	Projects	%
Fuel poverty	3	1%
Other	3	1%
Community engagement and support	4	2%
Substance abuse	6	3%
Health & well-being	11	5%
Childcare	15	7%
Financial capacity	15	7%
Multiple (focus on more than three issues)	25	12%
Employability – NEETS	53	25%
Employability – skills and experience	119	57%

<sup>49</sup> <http://www.rnib.org.uk/sensory-engagement-programme-launches-online-toolkit-service-providers>

<sup>50</sup> <http://gov.wales/funding/eu-funds/european-cooperation/?lang=en>

<sup>51</sup> The projects described here reflect the focus of the beneficiaries to whom the funds were awarded. Beneficiaries may have used the funds to support a number of individual projects so the total number of projects may be higher.



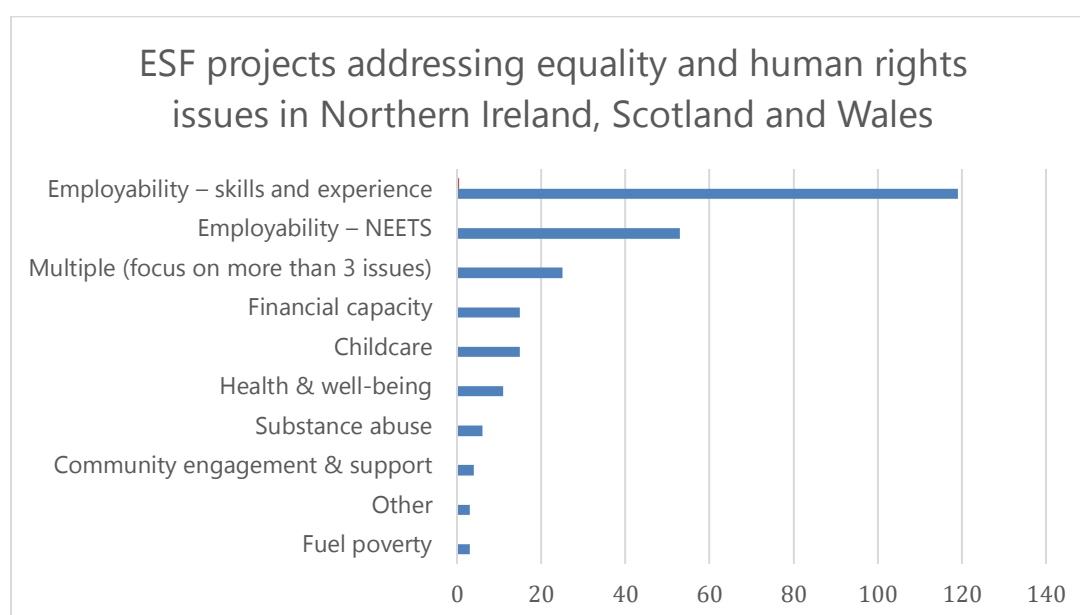


Table 3 shows that 60% of the 211 projects mapped focused on one or more protected characteristics. Once again, some projects cover multiple issues and are therefore counted in the tables more than once.

**Table 3 – Characteristics addressed by ESF funding in Northern Ireland, Scotland and Wales (211 projects in total)**

Protected Characteristics / 'Disadvantaged' group	Projects	%
Homeless people	1	0%
Carers	2	1%
Gender – men	4	2%
Disability - mental health	5	2%
Ex-offenders	5	2%
Lone parents	6	3%
Gender – women	8	4%
Age – older	9	4%
Black, Asian and minority ethnic	9	4%
Multiple (focus on more than three protected characteristics)	10	5%
Learning disabilities	13	6%
Disability – general	21	10%
Age – younger	65	31%
<b>Total</b>	<b>125</b>	<b>59.2%</b>

In terms of the protected characteristics, the largest focus (31%) was on young

people, followed by disability (18%). In addition, 5% of mapped projects focus on more than three protected characteristics.

This finding demonstrates the significant focus of ESF funding on equality and human rights work and highlights the effectiveness of the equality cross-cutting theme (CCT).

## England

As highlighted earlier in this report, it was not possible to identify all the data needed to conduct a similar mapping exercise for England. However, the research looked at one particular area – the Black Country in the West Midlands – in more detail, as a list of all ESF projects funded by the Building Better Opportunities fund in that area was made available.

As shown in tables 4 and 5 below, a mapping of all ESF-awarded projects in the Black Country to date uncovered that, out of 127 projects, 50 (39.3%) have a focus on at least one protected characteristic, with the largest focus being on young people (17 projects), followed closely by BAME groups (14 projects).

One example includes a project run by Age UK Walsall, awarded £221,876 to offer support to over 50s to build confidence, increase social inclusion, develop transferable skills, address health issues and get involved in volunteering.

Another example is Summit House Support, awarded £239,038 to provide support to extremely marginalised individuals, including those living with HIV, and LGBTQI people, to improve their health, wellbeing and social skills, and to develop their employability skills.

Some projects cover multiple issues and are therefore counted in the tables more than once.

**Table 4 – Issues addressed by ESF projects in the Black Country LEP area (127 projects)**

Issues	Projects	%
Domestic violence	1	0.8%
Social inclusion/exclusion	1	0.8%
Childcare	1	0.8%
Entrepreneurship and self-entrepreneurship	2	1.5%
Substance abuse	2	1.5%

Health and well-being	6	4.7%
Employability – NEETS	15	11.8%
Employability – skills and experience	29	22.8%

**Table 5 – Characteristics addressed by ESF projects funded in Black Country LEP area (127 projects)**

<b>Protected Characteristics / 'Disadvantaged' group</b>	<b>Projects</b>	<b>%</b>
Homeless people	1	1.8%
Carers	1	1.8%
Gender – men	1	1.8%
Sexual Orientation	1	1.8%
Ex-offenders	1	1.8%
Transgender	1	1.8%
Multiple (focus on more than three protected characteristics)	1	1.8%
Learning disabilities	2	3.7%
Disability - mental health	3	5.5%
Lone parents	3	5.5%
Age – older	3	5.5%
Gender – women	6	11%
Disability – general	8	15%
Black, Asian and minority ethnic	14	26%
Age – younger	17	31%
Total projects focusing on at least one protected characteristic	50	39.3%
No specific protected characteristics identified	77	60.7%

## 4. Assessing Impact 2007-2013

This section looks mainly at the 2007-2013 ESF funding round and aims to identify how projects impacted on people and communities across the UK. The objective was to build a picture of the way in which these programmes have contributed to tackling inequality in line with their stated objectives.

Once again, the challenges with accessing data and the timeframe for this research limited the ability to fully meet this objective. This is an area where we would recommend the UK government commits resources, to inform its approach to embedding equality and human rights principles in any successor programmes.

The following sections form an impact overview. The first summarises the evaluated impact of the Daphne Programme, which focused on violence against women and children. This is followed by summaries of evaluation mechanisms and the overall impact of other programmes by the four UK administrations and by the EU. It concludes with a selection of ESF case studies that relate to advancing people's equality and human rights.

### 4.1. Impact overview

#### **The Daphne Programme**

The Daphne Programme ran from 1997–2013, after which it was merged with other funds into the REC fund 2014-20. Daphne's objectives were:

- to help protect children, young people and women against all forms of violence and to help them attain a high level of health protection, wellbeing and social cohesion;
- to help develop community policies (in public health, human rights and gender equality) and action to protect children's rights and combat trafficking in human beings and sexual exploitation.

The final Daphne III programme (2007-2013) had an average annual budget of €16.7 million.

The evaluation of the Daphne III programme<sup>52</sup> showed that all funded projects were designed either to prevent violence against women, children and young people or to protect victims and people at risk. It found that most measures

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<sup>52</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0055>

taken helped improve protection for victims of violence or groups at risk, and a significant number contributed to policymaking and lawmaking at EU or national level. It concluded that, 'It was Daphne III's support to EU networks, research and innovation and direct support to victims and at-risk groups that did most to improve protection against violence'.

99 of the 660 projects funded through Daphne III were in the UK, led by local authorities, universities and voluntary and community sector organisations. Three examples are given below.

### **COMBAT- Combining Against Trafficking**

COMBAT raised awareness of trafficking through the training of targeted front-line professionals and stakeholders in civil society, thus contributing to the protection and safeguarding of vulnerable and at-risk children and young women across Bulgaria, Lithuania and the UK.

It trained around 2,000 professionals across three EU Member states to recognise trafficking and protect those vulnerable. Training programmes targeted not only child protection workers but also non-specialists.

Among the training programmes, a training package, 'Say Something if you See Something' was dedicated to the staff in the hotel sector, and developed with Coventry City Council Community Safety Team, West Midlands Police and third sector agencies in Coventry. Five training sessions were delivered to targeted hotel staff across the city. This work developed as a direct result of young people disclosing sexual exploitation happening at hotels in the city.

### **Prevention of interpersonal violence in a domestic context**

Led by Agenda Scotland, the project's purpose was to focus on male violent behaviour towards an intimate partner through analysis, development and training in treatment programmes for violent men, and counselling and support of women and child victims.

There were four project partners: two NGOs and two regional authorities. Activities included model development, analysis and implementation of perpetrator treatment programmes, support and treatment programmes for women and children, and education and training of staff.

### **Involved by Right: ensuring children's active participation in the child protection system**

The lead agency was the Royal Borough of Kensington and Chelsea. The aim of the project was to ensure the effective participation of children in decision-making processes in child protection systems across Europe to realise the aspirations of The United Nations Convention on the Rights of the Child, Article 12.

### **Growth Programme Board**

The Growth Programme Board is responsible for meeting the monitoring and evaluation requirements of the EU in England. It comprises a number of partners: the Department for Communities and Local Government (DCLG); DWP; the Department for Environment, Food and Rural Affairs (DEFRA); local government and LEPs; the private and voluntary and community sectors; further and higher education; and rural, environmental and equalities interests.<sup>53</sup>

It has a national-level sub-committee on equal opportunities whose responsibility it is to monitor the application and implementation of equalities principles and advise the Programme Board on any risks or opportunities that are identified. It also provides advice on equality within EU programmes and undertakes analysis into thematic or policy issues. A second sub-committee provides advice and analysis in relation to employment, skills and social inclusion.<sup>54</sup>

Two reports by the sub-committee on equal opportunities were reviewed but did not disclose any high-level equality data by protected characteristics or human rights issues.

The membership was updated on the amount of 2014-2020 funds committed (55% by 2017) followed by updates on some project work. The March 2017 report provided an overview of Managing Authority and Intermediate Body staff equality training but no detail on the extent of delivery to date, and an overview of the ESF Equality Leaders Awards and its 2016 winner on gender, Opportunity Hackney.

### **European Commission**

In its paper, European Social Fund (2007-2013) support Gender Equality,<sup>55</sup> the European Commission sets out the case for equality between women and men as a fundamental requirement to achieve 'growth, prosperity and solidarity in

<sup>53</sup> For further information see here: <https://www.gov.uk/government/groups/growth-programme-board>

<sup>54</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/494675/ESI-F-GN-2-011\\_GPB\\_National\\_Sub\\_Committees\\_Terms\\_of\\_Reference\\_v1.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494675/ESI-F-GN-2-011_GPB_National_Sub_Committees_Terms_of_Reference_v1.pdf)

<sup>55</sup> [http://ec.europa.eu/employment\\_social/esf/docs/genderequality\\_en.pdf](http://ec.europa.eu/employment_social/esf/docs/genderequality_en.pdf)

an equal and democratic society', and this is a 'horizontal' priority for actions taken by all of the Structural Funds. In practice, this means that all programmes have to include indicators and selection criteria to ensure they are equally open to men and women.

The EU position is that integrating gender and equality mainstreaming into the ESIF programmes can contribute to equality in a number of ways. For women, these include improved access to and participation in the labour market; improved equality in education and training; improved participation of women in enterprise, creation and growth; the reconciliation of work and family life; and improved participation of women in decision-making.

### **Mainstreaming equality and gender**

Mainstreaming is discussed in more detail in Section 5, however, for 2007-2013 in England, the top-level equality targets set were 51% female participation levels and 19% each for BAME people, those with a disability and those over the age of 50.

In July 2016, the DWP published its report on progress made toward achieving equality targets<sup>56</sup> covering participation levels and employment and skills indicators in England. This and 'Improving People's Lives'<sup>57</sup> sought to demonstrate how the ESF made real changes, in particular in tackling poverty and promoting social justice. It shows that female participation reached 36%, although progress was more pronounced during the second half of the funding round possibly due to the addition of 'families with multiple problems' who, according to the report are 'female dominated'. The BAME participation target of 19% was met; there was a 2% shortfall in the target of 19% for those with disabilities and a 3% shortfall against the 19% target for those over 50 years of age.

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<sup>56</sup> England and Gibraltar ESF convergence, competitiveness and employment programme for 2007-2013 *Final ESF Gender Equality and Equal Opportunities Mainstreaming Progress Report*, July 2016

<sup>57</sup> DWP (2014) *European Social Fund in England, Improving People's Lives 2013-2014*. Crown Copyright  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/369964/esf-in-england-improving-peoples-live.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/369964/esf-in-england-improving-peoples-live.pdf)

In Northern Ireland, the mid-term evaluation of ESF<sup>58</sup> demonstrated that the overall programme target of 45% female participation was being achieved or exceeded, leading to a suggestion that new targets for male participation needed to be considered. Female targets were also met in relation to the attainment of skills levels although training suppliers were reporting difficulty in recruiting part-time workers, women and those with a disability or health conditions. This was attributed to the unappealing nature of work on offer.

The Scottish Participants Survey<sup>59</sup> for the whole of the 2007-13 cycle reports that the gender percentage split of 59%/41% male/female closely aligns with the gender split within the unemployment population. One quarter had children living in their household and 12% were lone parents. One in five (21%) said they had a disability or health condition that limited their day-to-day activities, which broadly mirrors those with a disability in the Scottish labour market. 9% of participants were BAME, three times more than in the wider population. The survey notes that the programme 'has particularly succeeded in recruiting a higher proportion of participants from Pakistani and African ethnic backgrounds'.

In Wales, The Welsh European Funding Office (WEFO) published an evaluation on how the CCTs of Equal Opportunities and Environmental Sustainability were developed and delivered for the 2007-2013 Structural Funds in Wales, in particular through the work of a dedicated CCT Team within WEFO. The evaluation found that Wales was a leader in the implementation of CCTs within the EU, particularly thanks to the guidance and support offered by the CCT team, and it provides case study examples of projects funded by ESF that have incorporated the CCTs in their work.<sup>60</sup>

This data indicates that using cross-cutting themes and gender and equality mainstreaming has had a significant impact on ensuring higher levels of participation by disadvantaged groups.

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<sup>58</sup> Department for Employment and Learning (May 2012) *Mid-term Evaluation of the Northern Ireland European Social Fund Programme, 2007-2013. Main report.* <https://www.economy-ni.gov.uk/sites/default/files/publications/del/esf-mid-term-evaluation.pdf>

<sup>59</sup> Hall Aitken (February 2012) *European Social Fund Participants Survey Report* <http://www.gov.scot/Resource/0040/00400347.pdf>

<sup>60</sup> Welsh European Funding Office (March 2015) *WEFO Cross-cutting Themes Evaluation – Equality and Sustainability – Research Report.* Welsh Government. <http://gov.wales/docs/wefo/publications/151222-cross-cutting-evaluation.pdf>



## 4.2. Case studies

In order to highlight the impact that ESF funded-projects have had on equality, human rights and people from disadvantaged groups, the 12 case studies that follow, provide examples of projects that target the different protected characteristics. Some of these case studies indicate the impact that ESF- and REC-funded projects had on the lives of disadvantaged groups across the four nations between 2007 and 2013. In some cases, impact data was not available, however, in their absence these case studies illustrate the type of work funded by EU ESF and REC programmes.

### Offenders and ex-offenders

#### Bad Boys Bakery

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> NOMS	<b>Location:</b> London
<b>Project objectives</b>	To offer training and qualifications in baking to help prisoners find sustainable work when they leave prison.		
<b>Project description</b>	<p>The project offers a 12-week course that:</p> <ul style="list-style-type: none"> <li>• provides on-the-job training to industry standards, including food preparation, baking, stock and time management, as well as knowledge of health and safety systems;</li> <li>• helps prisoners to gain a relevant qualification;</li> <li>• prepares prisoners for work by helping with CVs, applications and letter writing;</li> <li>• helps those who are eligible for temporary release, by arranging opportunities that include helping with deliveries outside the prison and taking on administration roles within the bakery.</li> </ul>		
<b>Impact and sustainability</b>	As of 2014, more than 60 people had benefitted from the training. Figures made available in 2014 show that, out of those who have taken part in the programme and are out of prison, 33% are now in work or training and only 3% have gone on to reoffend within a year of being released (compared to a national average of 47%). The programme is still running, despite ESF funding having ceased in 2014. Following the success of the		

programme, a social enterprise was set up to keep the business going.

## Young people not in training, education or employment (NEETs)

### Whatever it Takes Project<sup>61</sup>

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> Skills Funding Agency	<b>Location:</b> Northumberland North East England
<b>Project objectives</b>	To increase the skills and qualification levels of young people and support their transition to a sustainable progression in learning or employment.		
<b>Project description</b>	The project was managed by igen Ltd, and delivered by Northumberland County Council, Skills4U North East Ltd, Buzz Learning Ltd, Learning Choices, Barnardos, and the Northern Learning Trust. It supported young people aged 14-19 in Northumberland who are NEET or at risk of becoming NEET by providing them with training and one-on-one support with the help of tutors.		
<b>Impact and sustainability</b>	The project has provided training to 580 young people over three years. Eighty three percent of the young people who have received training through the project have successfully progressed to other learning opportunities or employment.  There is no indication that the project was sustained beyond the funding provided by ESF between 2007 and 2013.		

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<sup>61</sup> [http://www.northumberland.gov.uk/WAMDocuments/B957C6DD-8334-41DA-8A42-C911CF9923B7\\_1\\_0.pdf?nccredirect=1](http://www.northumberland.gov.uk/WAMDocuments/B957C6DD-8334-41DA-8A42-C911CF9923B7_1_0.pdf?nccredirect=1)

## Disability and older people

### Theatre of Opportunity - Cascade Theatre<sup>62</sup>

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> Skills Funding Agency	<b>Location:</b> Cornwall
<b>Project description</b>	Theatre of Opportunity offered the chance to learn self-awareness and self-management through drama workshops and psychological techniques. The skills learned could then be transferred to the workplace. The activities were tailored to each participant. Four six-week courses were held in Liskeard, Camborne, Newquay and St Ives.		
<b>Impact and sustainability</b>	37 people were supported through the workshops. Cascade Theatre continues to receive ESF funding, which they use to run workshops and provide support to different target groups (such as older people, carers, etc.).		

## Black, Asian and minority ethnic (BAME) women

### Quest for Integration – QED<sup>63</sup>

<b>Issue:</b> Integration	<b>Fund:</b> European Fund for the Integration of Third-Country Nationals	<b>Co-financing organisation:</b> Not applicable	<b>Location:</b> Yorkshire and London
<b>Project objectives</b>	The project aimed to assist in the integration of third country nationals who are legally in the UK with a potential route to settlement. It did this by supporting eligible migrants to become integrated and active members of UK society through providing English for Speakers of Other Languages (ESOL), pre-employment advice, generic employability skills and signposting to vocational		

<sup>62</sup> <http://www.cornwalldevelopmentcompany.co.uk/assets/file/November%2012%20Press%20Releases/07.11.12%20Theatre%20of%20Opportunity%20for%20Jobs%20Issued%20by%20ESF%20Convergence.pdf>

<sup>63</sup> <https://qed-uk.org/what-we-do/projects-archive/>

training, voluntary and community activities and mentoring opportunities.

**Project description**

The project provided English language and integration training to eligible third-country women to aid their integration into mainstream economic and social activity in Britain by June 2015. This comprised a ten-week programme of accredited English language training and confidence building; communication skills; support with personal finance, banks, bills, credit and insurance; support with shopping, cultural and leisure facilities; access to health, housing and education services; and integrated information and guidance. In addition, there were award ceremonies, case studies, heritage visits, and Employer/World-of-Work visits to employers.

**Impact and sustainability**

In relation to outputs, 150 women attended the programme in London and 263 attended the Yorkshire programme. In both locations, almost two thirds of beneficiaries felt that their English had improved a lot as a result of the programme. Following the programme, around a third of women undertook further education (college or ESOL) or looked for a job.

The evaluation found that attending the programme provided a major step towards integration and overcoming barriers they had previously faced. This project did not continue after EU funding ceased.

**Black, Asian and minority ethnic (BAME) communities**

**End Racism This Generation Campaign – Runnymede Trust**

<b>Issue:</b> Discrimination	<b>Fund:</b> European Commission Anti-Discrimination Progress Action Grant (PROGRESS)	<b>Co-financing organisation:</b> N/A	<b>Location:</b> UK- wide
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- Project objectives**
- To raise awareness that racism and race inequality are still problems in the UK.

- To encourage people to make changes to their behaviour, at an individual, organisational or institutional level to further race equality.
- To publicly share the pledges for action so that they hold the pledger to account, and to spread practical ideas about how to tackle racism.

### **Project description**

The project was a pledge-based campaign, which included a number of activities spread over one year. As well as a general public audience, the campaign targeted specific groups and sectors to encourage practical action to tackle race inequality. These were young people, teachers and youth workers, non-governmental organisations, small and medium businesses, local government officials and health professionals.

Campaign activities included:

- A campaign website to capture pledges for action: [www.end-racism.org](http://www.end-racism.org)
- Online and offline events – some targeting specific sectors
- Films exploring the intersectionality between different types of discrimination such as race and gender, race and age, race and sexuality, race and religion and race and disability
- Advisory groups
- Surveys of attitudes to race issues across different ethnic groups
- Case studies showing how action to tackle racism can have practical impacts
- A race blog site called Race Card: [www.racecard.org.uk](http://www.racecard.org.uk)
- Dissemination of campaign messages through social media and structured email communications to supporters.

### **Impact and sustainability**

An external evaluation of the project demonstrated that the campaign:

- achieved impressive reach – with people seeing campaign messaging over six million times and a

supporter base of nearly 2,000 people and nearly 500 organisations;

- created spaces for discussion of racism and increasing people’s understanding of the complexity of racial discrimination;
- successfully connected different race equality actors and provided opportunities for sharing and learning. For example, 60% of participants of the youth events reported having made connections useful for their subsequent work on anti-racism;
- and started a conversation on the intersectional dimension of discrimination, connecting various race equality actors with organisations working on other grounds of discrimination.

The project was initially envisaged as a three-year programme. However, it was unsuccessful in securing funding for the three years and, as a result, could not sustain beyond the first year.

## Black, Asian and minority ethnic (BAME) young people

### The Gypsy Traveller Learning and Future Employment Project<sup>64</sup>

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> Not known	<b>Location:</b> West Wales and the Valleys
<b>Project objectives</b>	<ul style="list-style-type: none"> <li>• To improve the participation rates in education and employment of young people in the Gypsy Traveller population.</li> <li>• To enhance positive outcomes for Gypsy Traveller young people (that is, entry into employment and further education).</li> <li>• To reduce discrimination against the Gypsy Traveller population.</li> </ul>		
<b>Project description</b>	The project was delivered by seven different local authorities: Pembrokeshire County Council (lead) Blaenau Gwent County Borough Council, Carmarthenshire County Council, Merthyr Tydfil		

<sup>64</sup> Bowen R. (September 2012) *Final Report; External Evaluation of the Gypsy Traveller Learning and Future Employment Project*. People and Work Unit.

County Borough Council, Neath Port Talbot County Borough Council, City and Council of Swansea, and Torfaen County Borough Council.

The project ran from September 2009 to September 2012. Interventions varied depending on the local authority but included one-to-one support with Gypsy Traveller pupils, the use of discrete units for Gypsy Traveller young people, basic skills tutoring, social and emotional support, and developing links with colleges and employers.

### **Impact and sustainability**

From a total of 317 participants; 91 gained qualifications; 37 entered full learning; 37 entered employment; and 83 gained other positive outcomes. An evaluation found that the project:

- increased participation of Gypsy Traveller young people in education;
- improved levels of educational attainment among Gypsy Traveller young people (though not to the target set by the project);
- successfully supported Gypsy Traveller young people into employment, in particular through shifting employers' attitudes towards Gypsy Traveller young people;
- improved a range of Gypsy Traveller young people's skills, which could help them access education, employment or training;
- and helped reduce discrimination towards Gypsy Traveller young people, through positive interaction.

The project ended when the ESF funding ceased.

## **Women**

### **Agile Nation Project – Chwarae Teg**<sup>65</sup>

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> Welsh Government	<b>Location:</b> Wales
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<sup>65</sup> <https://www.cteg.org.uk/projects/agile-nation-project/>

<b>Project objectives</b>	<p>To help improve the position of women in the workforce across nine priority sectors in Wales:</p> <ul style="list-style-type: none"><li>• Advanced materials and manufacturing</li><li>• Construction</li><li>• Creative industries</li><li>• Energy and environment</li><li>• Financial and professional Services</li><li>• Food and farming</li><li>• Information and communications technology</li><li>• Life science</li><li>• Tourism</li></ul>
<b>Project description</b>	<p>The project provides a career development programme for women to improve their position in the workforce, and a business programme to help businesses attract, retain and develop talent and inspire an inclusive staff culture to improve diversity.</p>
<b>Impact and sustainability</b>	<p>The project had the following outputs:</p> <ul style="list-style-type: none"><li>• 2,921 women trained, all gaining a recognised Institute of Leadership and Management qualification</li><li>• 349 women progressed to more senior roles following the training</li><li>• 504 businesses were supported to improve their diversity and modern working practices (over half of which were from the private sector).</li></ul> <p>The ESF and the Welsh Government have provided funding from the 2014-2020 programme to continue the project over the next few years.</p>

## Young people

### Youth Employment Scotland Fund<sup>66</sup>

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> N/A	<b>Location:</b> Scotland; 32 Local authority areas
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<sup>66</sup> <http://www.employabilityinscotland.com/policy-and-partnership/youth-employment/youth-employment-scotland-fund/>



**Project objectives** To support unemployed young people through education and training, and address high levels of youth unemployment resulting, in part, from the reluctance of employers to employ young people.

**Project description** Employer Recruitment Incentives (ERI) were provided to employers in the private and social enterprise sectors to take on young people by the Fund covering half of their salary costs for a minimum of 26 weeks in jobs that were additional and permanent. A flexible part-time option and paid work experience at local authority level were added to address the needs of vulnerable young people. Young people were recruited in a range of ways, including social media campaigns and digital marketing, working with schools and through pre-existing employability programmes.

The Scottish Council for Voluntary Organisations worked with third sector organisations that were engaging with young people through the Community Jobs Scotland, enabling them to move easily into the Fund. This progression was described as 'a key part of the employability pipeline, targeting young people who are furthest from the labour market'.

**Impact and sustainability** At the time the programme was evaluated, 9,396 young people had started in a job. The non-completion rate was 14%.

All the participants were given permanent contracts, and the evaluation notes that, without the Fund, 69% of employers would not have provided the jobs.

The evaluation concludes that young people benefited in a number of ways: they developed hard skills related to the job; gained qualifications; gained soft skills, such as time-keeping, team-working and motivation; improved their employment prospects and future career progression; and demonstrated confidence and aspirations for the future.

Sixty-four percent of those who started a job were still in employment at the end of the period during which the employer incentives were provided.

Employers were able to bring in ‘new, fresh ideas and attitudes’ and increase business capacity at a lower cost. The Fund also encouraged employers to provide opportunities by agreeing to employ young people. The Fund helped local authorities to meet targets to address youth unemployment and enhanced their engagement with employers.

Within local authority areas that provided full monitoring data, 69% of participants ‘sustained their positive destination at the end of the ERI’, the majority staying on with the original employer.

## Disability

### PROGRESS FIFE<sup>67</sup>

<b>Issue:</b> Employability and skills	<b>Fund:</b> ESF	<b>Co-financing organisation:</b> N/A	<b>Location:</b> Fife, Scotland
<b>Project objectives</b>	To enable disabled people to realise their full potential through accredited training, further education and sustainable paid employment		
<b>Project description</b>	Disabled people are supported to find and stay in work through training and practical support; placements; job application skills; and managing health conditions or disabilities in the workplace based on individual needs. Vocational training, further education or short courses that can help with confidence and communication skills may be on offer. For those who are already in work, the project can help with ongoing training or other support.		
<b>Impact and sustainability</b>	A recent (2016) Capability Scotland report indicates that 58% of participants showed an improvement in their confidence to perform well. Other areas showing improvement included:		

<sup>67</sup> [http://www.capability-scotland.org.uk/media/435866/progress\\_fife\\_leaflet2.pdf](http://www.capability-scotland.org.uk/media/435866/progress_fife_leaflet2.pdf)

- a willingness to take responsibility to create one's own success, particularly for 30-45 year olds
- the ability to work well with others
- the development of social support networks, particularly for male clients
- upgraded skills and/or education to match the current opportunities.

Improvements in clients exceeded the average improvement across Fife in terms of readiness for employment.

Capability Scotland advises that should EU funding cease with no domestic replacement the project would have to close.

## Religion and belief, and race

### Football for All<sup>68</sup>

<b>Issue:</b> Social cohesion	<b>Fund:</b> PEACE III	<b>Co-financing organisation:</b> N/A	<b>Location:</b> Northern Ireland
<b>Project objectives</b>	This project was funded under the Acknowledging and Dealing with the Past priority of the PEACE III fund. Its aim was to promote peace and reconciliation and reduce sectarianism and racism.		
<b>Project description</b>	<p>Under the auspices of the Irish Football Association, the project sought to build the capacity of football clubs, fans and communities to address sectarianism and racism head on. This was done by investing in education and social development to create advocates for positive change within local communities and peer groups.</p> <p>The tools used included seminars, inter-generational story-telling and a youth forum giving young people a voice on community relations issues. This was underpinned by the support and work done within the domestic football league and international supporters' groups.</p> <p>Project outputs included:</p> <ul style="list-style-type: none"><li>– the recruitment of a full-time Football for All Project co-ordinator</li><li>– the creation of a Football for All Youth Forum</li><li>– developing working links with the Ardoyne Interface programme; Limestone United; the Women's World United Intercultural Football Programme and the Belfast Street League (players include homeless people, ex-offenders, drug- and alcohol-dependent individuals, long-term unemployed, refugees, asylum seekers and other disadvantaged groups).</li></ul>		
<b>Impact and sustainability</b>	The Irish Football Association's five-year plan to 2022 - Promoting, developing and fostering football for all – includes as core values an acknowledgement that everyone loves the game regardless of gender, religion, politics, race or sexual orientation, and that individuals and groups should feel comfortable and welcome. It is establishing a Foundation to deliver positive change in Northern Ireland, advance education and provide funds in areas of economic need.		

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<sup>68</sup> [http://ec.europa.eu/regional\\_policy/en/newsroom/news/2013/01/project-of-the-week-football-as-a-hook-to-promote-peace-and-reconciliation-in-northern-ireland](http://ec.europa.eu/regional_policy/en/newsroom/news/2013/01/project-of-the-week-football-as-a-hook-to-promote-peace-and-reconciliation-in-northern-ireland)

## Young people and women

### Small Wonders<sup>69</sup>

<b>Issue:</b> Good relations, employability and skills, childcare	<b>Fund:</b> PEACE III	<b>Co-financing organisation:</b> N/A	<b>Location:</b> North Belfast, Northern Ireland
<b>Project objectives</b>	The Creating Shared Public Spaces PEACE priority aimed to regenerate areas that appear derelict, segregated, underused, threatening or unwelcoming, and transform them into shared areas. This project sought to create a cross-community childcare facility in an interface area where segregated nationalist and unionist areas meet.		
<b>Project description</b>	<p>The area is a deprived ward with high levels of unemployment and high numbers of incidents of sectarian-based conflict between the Protestant and Catholic communities.</p> <p>Small Wonders II was developed by the Shankill Women's Centre and has transformed a derelict church into a modern cross-community childcare facility accommodating up to 31 day-time and 32 after-school places. Its outdoor play space is built around the theme of peace.</p> <p>Additional key outputs were the recruitment of 12 childcare workers and 60 people taking part in Peace and Reconciliation Programmes in year one.</p>		
<b>Impact and sustainability</b>	Alongside the childcare facility in the Shankill Women's Centre, there is a fully equipped IT suite for use by local women to enhance their computer skills and employment prospects. There is a full-time outreach worker to promote greater levels of cross-community contact through the shared use of the new facility. Other funders now include Lloyds TSB, Belfast Local Strategic Partnership, the Arts Council, Invest Northern Ireland and the Police Service for Northern Ireland. Small Wonders is now a Social Economy Childcare Business owned by the Shankill Women's Centre. Its mission is to support the rights of children and provide a child-safe environment where children are valued in every respect.		

## 5. Gender and Equality mainstreaming 2014-2020

This section considers how equality of opportunity and gender mainstreaming have been built into the 2014-20 ESIF programmes in the UK. It draws mainly on the EIA prepared by the Department for Business, Innovation and Skills (BIS) on the Partnership Agreement October 2014, which is the high-level UK strategy, including priorities and arrangements for the funds.<sup>70</sup> Partnership Agreements (PA) are developed in line with the EU's Common Provisions Regulation.<sup>71</sup> The assessment outlines in some detail how the UK Government will deliver gender and equality mainstreaming.

### 5.1. Priorities and spend

The EIA indicates that, although activities in other funds, such as the ERDF, may also have a positive impact on equality issues, these are not as explicitly stated as they are in the ESF. In particular, Objective 8 on sustainable and quality employment; Objective 9 on promoting social inclusion, combatting poverty and any discrimination; and Objective 10 on education, training and vocational training. For these objectives, the programme target groups are NEETS, those aged 50 or over, women, those with disabilities and BAME people. The UK Government states in its EIA that a focus on these objectives and target groups will help to advance equality of opportunity and eliminate discrimination.

It estimates that the UK total spend on these three objectives will be approximately €5 billion (£4.15 billion), as follows:

**Table 6: ESF and ERDF spend on Objectives 8, 9 and 10<sup>72</sup>**

<b>Objective</b>	<b>ESF</b>	<b>ERDF</b>	<b>Total EUR (millions)</b>	<b>Total GBP (millions)</b>
<i>Objective 8: Sustainable and quality employment</i>	1,839	167	2,006	1,665
<i>Objective 9: Social inclusion, poverty and discrimination</i>	1,094	75	1,169	9,70

<sup>70</sup> HM Government (13 October 2014) op.cit

<sup>71</sup> ibid

<sup>72</sup> Ibid, p.13

<i>Objective 10: Education, training and vocational training</i>	2,051	0	2,051	1,702
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This is an increase over the 2007-13 spend, which was around €4.5 million (£3.73 million), and the increase, according to the Government, 'signals a potential positive impact' in relation to the requirements of the Equality Act 2010 public sector equality duty.<sup>73</sup>

## 5.2. UK Gender and mainstreaming principles

Article 7 of the Common Provision Regulation of the EU, which lays our common standards and principles for the implement of the ESIF, states that:

'The Member States and the Commission shall ensure that equality between men and women and the integration of gender perspective are taken into account and promoted throughout the preparation and implementation of programmes, including in relation to monitoring, reporting and evaluation.

The Member States and the Commission shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation and implementation of programmes. In particular, accessibility for persons with disabilities shall be taken into account throughout the preparation and implementation of programmes.'<sup>74</sup>

To meet these requirements, the UK Government adopted a set of principles which are set out in full below. These principles may be helpful to the VCS in discussions with Government around domestic priorities post-Brexit. (See Section 6.2.)

- No beneficiaries are excluded from participating in the programmes on the grounds of their protected characteristics.

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<sup>73</sup> The duty is to have due regard to the need to eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the (Equality) Act; advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it; and foster good relations between people who share a relevant protected characteristic and those who do not share it

<sup>74</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=EN>

- The needs of all potential beneficiaries are considered at project design stage in order that the service is appropriately delivered.
- All physical regeneration, that is construction of new buildings and upgrading of existing premises, meets minimum accessibility requirements (in line with the Equality Act, Part M of the Building Regulations and recommended British Standards for Accessibility).
- Services are responsive to the needs of all communities and under-represented groups.
- Support is targeted towards under-represented communities where relevant.
- Responsiveness to, and inclusiveness of, under-represented groups in delivery and management.

The Government outlines how it expects Managing Authorities to ensure these principles are embedded, including having representatives from bodies responsible for promoting equality on monitoring committees; ensuring information is gathered to help monitor the extent to which men, women, disabled people and relevant disadvantaged groups participate; and embedding equalities impact into evaluation strategies.

The EIA sets out additional principles for the devolved nations, each of which have produced their own EIAs.<sup>75</sup> For example, the Scottish Government has noted, as one of the key lessons learned from the earlier round, 'how important, and sometimes difficult, it is to retain a focus on [the equality requirements]'<sup>76</sup> and, for 2014-2020, has adopted a dual approach to promoting and mainstreaming equality by requiring evidence that project activity is addressing equality, non-discrimination and accessibility, and that there is scope for positive action to be taken. These must also be integral to programme planning, preparation, implementation, monitoring and evaluation.

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<sup>75</sup> Scotland Equality Impact Assessment of European Structural Funds Programmes 2014-2020. <http://www.gov.scot/Resource/0044/00448106.pdf>

Welsh European Structural Funds Impact Assessments <http://gov.wales/funding/eu-funds/2014-2020/programme-evaluations/equality-impact-assessments/?lang=en>

Northern Ireland Department for Employment and Learning Section 75 Equality of Opportunity Screening Template of European Social Fund Programme 2014-2020 <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/european-social-fund-programme-2014-2020-screening.pdf>

<sup>76</sup> <http://www.gov.scot/Publications/2013/12/8707/7>



Further considerations in the EIA for England include improving equality policies, providing training for staff who advise providers, and offering funding mechanisms to enable niche projects and bottom-up interventions to be supported. The ERDF and Rural Development Programmes in the four nations<sup>77</sup> are also seen as having a mainstreaming role, such as considering equality in relation to access to the countryside, and engaging women, under-represented and excluded groups in enterprise and business finance and young people and communities in the enterprise culture.

Wales also talks about staff training, regular progress monitoring and updates for stakeholders, as well as providing guidance and case studies for beneficiaries. It sees a benefit in encouraging gender mainstreaming, equal opportunities and social inclusion organisations to be involved and create a network of support, and seeks to offer specialist advice on mainstreaming at an early stage to maximise the take up of opportunities to pursue mainstreaming and equality.

The Ireland/Wales Territorial Cooperation Programme EIA indicates expected positive equality outcomes for younger and older people, BAMR people and women and girls.<sup>78</sup> The ERDF EIA appears to focus mainly on impact in relation to the Welsh Language.<sup>79</sup>

Finally, the PA EIA reflects the equality protections in Northern Ireland, some of which are more extensive than in other European countries, including the positive promotion of equality under the Fair Employment and Treatment Order and Section 75 of the Northern Ireland Act, the Northern Ireland version of the public sector equality duty. It talks about the role of the Equality Commission and how the ESF programme aligns with a range of other strategies, such as those on disability and equality between men and women, and measures to tackle social exclusion. In its impact assessment, the Department for Education and Learning notes that 'the programme is designed to assist individuals who

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<sup>77</sup> Funded under the EU Agricultural Fund for Rural Development

[https://ec.europa.eu/agriculture/cap-funding\\_en](https://ec.europa.eu/agriculture/cap-funding_en)

<sup>78</sup> Welsh European Funding Office (July 2014) *Ireland/Wales Territorial Cooperation Programme 2014-2020 Equality Impact Assessment Report*

<http://gov.wales/docs/wefo/publications/150128iwequalityimpactassessment.pdf>

<sup>79</sup> Welsh European Funding Office (July 2014) *2014-2020 European Regional Development Fund Programmes for Wales - Equality Impact Assessment Report*

<http://gov.wales/docs/wefo/publications/150128erdfequalityimpactassessment.pdf>

face barriers or disadvantage...and will promote greater equality of opportunity for individuals across all of the Section 75 categories.’<sup>80</sup>

At the EDF Roundtable in July 2017, participants noted that delivery of the cross-cutting theme of gender and equality mainstreaming was not consistently measured or evaluated, making it unclear how this has been addressed and what outcomes have been achieved. It is therefore important that, across the four nations, all work on gender mainstreaming is properly monitored.

### 5.3. Partnerships

The Common Provisions Regulation also requires governments to develop partnerships with bodies responsible for promoting social inclusion, gender equality and non-discrimination, and the EIA describes how this is being done in the four nations. In England, it appears that the LEPs, to whom most ESI funds go, have been advised that they must have regard to the public sector equality duty in developing their strategies, which should also include evidence of equality issues in their areas and how those working on equality and inclusion have helped in preparing them. All nations have established consultative partnership groups.

### 5.4. Addressing the needs of those at most risk

Finally, the EIA describes how the UK will meet the requirement of the Common Provisions Regulation to address the specific needs of target groups at highest risk of discrimination or social exclusion. Examples include community-centred approaches, understanding the need to address individuals’ requirements appropriately, and addressing issues such as caring responsibilities, debt and access to transport.

The UK Government has concluded that the policy decisions that have been taken have no adverse impact in relation to the Equality Act and that the increase in funds targeted to the ESF priorities set out above are likely to have a positive impact. It considers that ‘comprehensive measures to promote

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<sup>80</sup> <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/european-social-fund-programme-2014-2020-screening.pdf> Section 75 of the Northern Ireland Act is the public sector equality duty for Northern Ireland covering the characteristics of age, disability, gender, religious belief, political opinion, sexual orientation, marital status, racial group and dependents

equality between women and men and non-discrimination across the nations' are in place.

The principles and actions set out in the EIA and those prepared by the devolved administrations provide a useful framework that should be carried forward and further refined in any future arrangements.

They also provide a framework for the sector in determining the extent to which the fund and those managing it have delivered on the commitments made. The equality sub-committee (see Section 4.1), and its equivalent in the other nations, may prove to be a valuable resource as well.

## 6. Conclusion and Recommendations

### The Way Forward: Brexit and Beyond

As pointed out in Section 2.0, the UK is currently in a period of transition with some uncertainty, which impacts on the VCS. This section considers how this can be addressed, looking at the issues that need to be tackled between now and the UK's exit from the EU and beyond. It is possible that there may be transitional arrangements that will 'extend' the exit date; however, for the purposes of this report, the assumption is that the UK's departure from the EU will be in March 2019.

#### 6.1. Consultation and sector views on potential loss of funding for the VCS

There is significant concern across the VCS about the loss of the Structural Funds and other funds such as the REC Programme. This anxiety is not only related to the direct loss of EU funding but also because of the more widespread impact this will have on disadvantaged and discriminated against communities. With less money coming from the EU to tackle disadvantage and discrimination, the situation is likely to worsen and the pressure on the VCS will be sharper, but, with little resources, the sector will be unable to help.

It is also unclear at this stage to what extent the UK Government will make up the shortfall resulting from the loss of EU funding. For the current funding period to 2020, the UK Government has given assurances that approved funding programmes will be honoured. However, there is concern in the four nations about how these assurances will be delivered, not least the qualified nature of the assurance, which is discussed in Section 6.2.

The Equality Commission for Northern Ireland considers that the Government should 'address the potential impact of the loss of EU funding on programmes aimed at supporting peace and reconciliation, equality and good relations and social inclusion, including the impact on the voluntary and community sector.'<sup>81</sup> The Equality and Human Rights Commission recently urged the Government, in

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<sup>81</sup> <http://www.equalityni.org/ECNI/media/ECNI/Publications/Delivering%20Equality/EU-Exit-EqualitySummary.pdf>

creating a fairer Britain, to ensure that equality organisations that rely on EU funding can keep operating.<sup>82</sup>

The sector is already having to cope with cuts in funding as a result of domestic policies that have led to a reduction in the money available from, for example, local authorities. As one organisation noted in its submission to the Women and Equalities Committee, 'The impact of...cuts on charities and NGOs...has been significant and seriously affects participation in public life. That will adversely affect the development of law and policy.'<sup>83</sup>

In Scotland, the Scottish Council for Voluntary Organisation's (SCVO) State of the Sector survey found that 81% of respondents felt that leaving the EU would negatively impact on poverty and social inclusion, while 80% believed it would negatively impact on human rights and equality.<sup>84</sup>

Against this background, the sector is seeking assurances from the Government that replacement funding, equal to that of the Structural Funds will be made available. The SCVO has written that 'the European Union has broadly been good for ...Scotland's third sector and [we] support measures to ensure that many of the protections we currently enjoy are not jeopardised.' The Council goes on to suggest that, should there be a 'hard' Brexit, it would support 'a differentiated deal for Scotland within Europe'.<sup>85</sup>

In Wales, voluntary organisations are seeking assurances about replacement funds, as without this they cannot make plans. 'Community and voluntary organisations are in a kind of hiatus....not knowing what to do next'.<sup>86</sup> The Wales Council for Voluntary Action (WCVA) notes that the Communities First programme in Wales, which some groups have been using as match funding for EU funds, is being phased out. Smaller organisations worry about their day-

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<sup>82</sup> <https://www.equalityhumanrights.com/en/our-work/news/brexit-plans-lack-ambition-equality-and-human-rights>

<sup>83</sup> Discrimination Law Association submission to the Women and Equalities Committee Inquiry on Ensuring strong equalities legislation after the EU exit:  
<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/women-and-equalities-committee/ensuring-strong-equalities-legislation-after-the-eu-exit/written/42926.pdf>

<sup>84</sup> <http://www.scvo.org.uk/long-form-posts/scotlands-place-in-europe-third-sector-concerns/>

<sup>85</sup> <http://www.scvo.org.uk/long-form-posts/brexit-and-scottish-independence-a-third-sector-perspective/>

<sup>86</sup> <http://www.acf.org.uk/news/foundations-and-brexit-a-view-from-wales>

to-day survival and are increasingly concerned about cuts in local authority spending and the increasing demand on pots of money that they traditionally bid for.<sup>87</sup> So, even with a Treasury assurance, it is not clear if VCS organisations in Wales can deliver the programmes, as they will still need to find the match funding required.

The Community Foundation for Northern Ireland notes that the nation has benefitted massively from the EU, gaining hundreds of millions to support the peace process. However, there are community and voluntary groups who are delivering EU programmes who do not know what is going to happen next and what funding the UK government will guarantee.<sup>88</sup>

In a letter to the Women and Equality Committee of the House of Commons, the then Minister for Women and Equalities, Justine Greening, in relation to the REC programme, said that the Government Equalities Office would be working closely with Departments to understand the activities supported by the programme and the impact of changes following Brexit.<sup>89</sup> She went on to say that the Government Equalities Office (GEO) 'sought to engage stakeholders on the issue of EU exit'. The Committee welcomed this commitment by the Government to consult, and urged that this consultation with equality stakeholders should begin immediately.<sup>90</sup>

EDF welcomes the engagement we have had with the GEO, DExEU and Treasury during the course of this research, through meetings and our roundtable in July 2017. However, a more formal consultation process in relation to replacing EU funding on equality and human rights and the impact on civil society needs to be carried out. It is to be hoped that all Departments with responsibility for the Structural Funds and REC programme, as well as the DExEU, will ensure that formal consultation is undertaken without delay.

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<sup>87</sup> Ibid

<sup>88</sup> <http://www.acf.org.uk/news/foundations-and-brex-it-a-view-from-northern-ireland>

<sup>89</sup> Letter dated 23 February 2017

[https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/79907.htm#\\_idTextAnchor035](https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/79907.htm#_idTextAnchor035)

<sup>90</sup> <http://www.parliament.uk/business/committees/committees-a-z/commons-select/women-and-equalities-committee/inquiries/parliament-2015/ensuring-strong-equalities-legislation-after-eu-exit-16-17/publications/>

## 6.2. UK domestic priorities and equality and human rights

The Government has said that funding for projects agreed to 2020 will be honoured as long as they represent value for money and align with 'domestic priorities'. These priorities are of fundamental importance and have yet to be determined. Should they not reflect fully a commitment to equality and human rights principles as well as inclusion then planned work at local, regional or national level and/or projects already underway could be put at risk. As the Wales Funders Forum puts it, 'the money that the UK Government contributed to the EU has not disappeared. How it is spent is a matter of political priorities. A starting point for negotiations on behalf of the sector must surely be that promises will be kept and the third sector [...] will continue to be funded only with decisions made here, close to home.'<sup>91</sup>

As Section 5.2 has set out, the UK Government has committed itself to a set of equality principles for the current funding round and, through active participation in the ESF programmes, has adopted the EU's commitment to ensuring equality, tackling disadvantage and creating a socially inclusive society.

The setting of national priorities must not undermine the devolution agreements with Northern Ireland, Scotland and Wales. Within each of the four nations there may also be regional differences, for example in relation to the peace and reconciliation process in Northern Ireland, the needs of remote or rural regions in Scotland and Wales, or deprived regions of England. Finally, the nations may have developed their own strategies on equality and human rights<sup>92</sup>. It is not clear what the position will be should one or more of the devolved nations have priorities that do not appear in the national list of priorities.

The minutes of the Growth Programme Board meeting of 13 December 2016 refer to the domestic priorities, noting that 'LEP Area ESI Funds sub-committees will be asked to put emphasis on the Chancellor's domestic priority and value for money conditions'.<sup>93</sup> This reinforces the importance of the point made at

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<sup>91</sup> <http://www.acf.org.uk/news/wales-and-the-eu-a-view-from-the-wales-funders-foum>

<sup>92</sup> Examples of such strategies include, the Race Equality Strategy for Northern Ireland to 2025; the individual nation roadmaps on Roma Integration, part of the UK's response to the EU requirements on Roma; the Scottish Race Equality Framework 2016-2030 and the Strategic Equality Plan and Equality Objectives 2016-2020.

<sup>93</sup> Growth Programme Board Ibid

the EDF Roundtable in July 2017 that the sector must be alert to how these are being developed and maintain pressure on Government to ensure that equality, human rights and inclusion are underpinning themes, and that the views of the devolved nations are fully taken into account. The principles adopted and articulated by the UK Government and devolved administrations in the Partnership Agreement EIA (see Section 5) may provide a useful framework within which discussions can take place.

### 6.3. The proposed Shared Prosperity Fund and equality and human rights

In its 2017 election manifesto, the Conservative Party proposed it would establish a Shared Prosperity Fund (SPF). The Manifesto stated:

‘Current EU-wide structural funding was designed to tackle disparities but it is expensive to administer and poorly targeted [...] we must look at how we can better reduce and eliminate these inequalities [...]. We will use the Structural Funds money [...] to create a UK Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations. The money [...] will help deliver sustainable, inclusive growth based on our modern Industrial Strategy.’<sup>94</sup>

For its part, the Labour Party committed to ensuring the protection of funding for the current round and that ‘no region or nation [would be] affected by the withdrawal of EU funding for the remainder of this Parliament’, with specific mention made of PEACE in Northern Ireland.<sup>95</sup>

The reference to the SPF being grounded in the Industrial Strategy is interesting but creates some insecurity around the status of equality and human rights.

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<sup>94</sup> *Forward Together Our Plan for a Stronger Britain and a Prosperous Future. The Conservative and Unionist Party Manifesto 2017.* <https://s3.eu-west-2.amazonaws.com/manifesto2017/Manifesto2017.pdf>

<sup>95</sup> *The Labour Party Manifesto 2017: A Manifesto for a better fairer Britain.* <http://www.labour.org.uk/index.php/manifesto2017>



The consultation on the Green Paper, 'Building our industrial strategy' closed in April 2017.<sup>1</sup> It had ten pillars around which the strategy would be delivered, none of which made any mention of equality, inclusion or fairness, with only one reference to people – to ensure that they have the skills employers need. The final strategy, published in November 2017, sets out a clear case for how an inclusive labour market can improve skills, growth and productivity, but fails to commit the necessary investment to make an inclusive labour market a reality, despite committing some £54 billion to other areas.

At time of writing, the DCLG and the BIS are leading on the SPF fund, regarding what it will include, and what it will look like. It is not clear the extent to which the DWP is joined up with these discussions, though of course there is a clear need.

As mentioned by a LEP representative:

'DWP is the organisation that currently acts as the managing authority for projects activity that have greatest impact on equality, as they are the Managing Authority for the Building Better Opportunities activities through the Big Lottery, and the Educations and Skills Funding Agency. These activities aim to reach those furthest from the labour market. So there is a concern that the equality aspect of the programme might be lost in future because DCLG and BIS tend to be more business focused. They tend to look at capacity for economic development but there does not appear to be anyone with a brief for equality or regeneration.'<sup>96</sup>

In relation to devolution, the Institute for Government commented, 'In a move that the devolved administrations are likely to regard with deep suspicion, former EU structural fund spending will go not to the devolved governments but to a UK Shared Prosperity Fund. Labour's manifesto established a 'presumption of devolution' of EU powers relating to devolved functions, something the devolved administrations would say should happen automatically.'<sup>97</sup>

This has the potential to raise constitutional issues around how money can be ring-fenced to the devolved nations without undermining the devolution agreements.

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<sup>96</sup> Interview with LEP representative

<sup>97</sup> <https://www.instituteforgovernment.org.uk/brexit>

It will be crucial that the VCS has a clear view on how it believes any such fund will be shaped and how it will operate, taking full account of devolution considerations. It will also be important to confirm how the domestic priorities for funding the VCS and the pillars of the Industrial Strategy align, if at all.

#### 6.4. Networks and transnational working

Networks and transnational working were not a focus of the research; however, their value and impact was highlighted by a number of organisations and, therefore, some of their thoughts are included here. Transnationality was a cross-cutting theme for the 2007-13 round of funding and was a key element of the past and current REC programme. The INTERREG fund is transnational in nature and, of course, there is the cross-border work undertaken under the auspices of the four PEACE Programmes in Northern Ireland and the border counties of the Republic of Ireland.

Not all networks or opportunities for partnership working are dependent on EU membership. For example, Norway, as a member of the European Economic Area, participates in Equinet<sup>98</sup>, currently chaired by the Northern Ireland Equality Commission, and Macedonia is a member of the European Anti-poverty Network. There are also research and academic networks that focus on equality issues where membership is not dependent on being a Member State of the EU.

Ali Harris, Chief Executive of EDF, highlighted the importance of networks in her November 2016 evidence to the Women and Equalities Committee Inquiry into 'Ensuring strong equalities legislation after the EU exit'. She said 'there is a significant amount of engagement between the UK voluntary sector and the EU networks' citing LGBT issues, tackling race hate and older people's concerns [...] there is a real will within the race equality and gender networks for the UK to still engage because there is so much to be gained.'<sup>99</sup>

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<sup>98</sup> EQUINET is an EU funded network of Equality Bodies across Europe.

<sup>99</sup> House of Commons (22 February 2017) *Ensuring strong equalities legislation after the EU exit* – Seventh Report of Session 2016-17

<http://www.parliament.uk/business/committees/committees-a-z/commons-select/women-and-equalities-committee/inquiries/parliament-2015/ensuring-strong-equalities-legislation-after-eu-exit-16-17/publications/>

An example of such network is the European Gender Budgeting Network. This view was reinforced by Professor Anna Lawson from the University of Leeds:

‘One of the great benefits of EU structures has been networks of experts, networks of Government, networks of civil society and networks of equality bodies that bring together people from different countries with different types of expertise and different ideas about implementation of these agreed standards. There is a massive amount to be gained from sharing ideas [and] we have been influential [...]. Staying part of those processes is really important.’<sup>100</sup>

Organisations across the UK have, for years, successfully been part of transnational projects – EQUAL and DAPHNE being two examples – and there is concern that the value of partnerships and networks will be diminished or lost as a result of Brexit. There is some evidence that it is already having an impact with Scottish organisations beginning to experience an unwillingness to engage with UK-based partners in case this puts bids at risk.<sup>101</sup> From the research point of view, Professor Sylvia Walby, Lancaster University, UNESCO Chair in gender research and Director of the Violence and Society UNESCO Centre, told the Women and Equalities Committee ‘[...] it is not clear that the equalities strand has been as engaged in the details of the negotiation of Brexit as it might be. [...] I have been watching the formation of a research programme between researchers and civil servants, and it has not named the equalities strands.’<sup>102</sup>

The VCS is anxious to maintain its transnational links and will be looking for ways to make this happen; the Welsh Council for Voluntary Action, for instance, believes there will still be such opportunities, possibly funded by international donors.<sup>103</sup> However, there is a need to map what networks are in existence and the extent to which they are tapped into across the UK. In its Inquiry report, the Women and Equalities Committee recommended that: ‘The Government should seek to set aside funding for ensuring that UK research and civil society organisations can maintain international links that are vital for ensuring strong equality protection.’<sup>104</sup>

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<sup>100</sup> Ibid

<sup>101</sup> <http://www.scvo.org.uk/long-form-posts/brexit-and-scottish-independence-a-third-sector-perspective/>

<sup>102</sup> Women and Equalities Committee Inquiry *ibid*

<sup>103</sup> Association of Charitable Foundations *A view from Wales* *ibid*

<sup>104</sup> House of Commons (22 February 2017) *op.cit.*

<https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/79902.htm>

## 6.5. Equality data

This research and the testimony of stakeholders, including at the EDF roundtable, have confirmed that data on the use to which the Structural Funds are being put is complex, unhelpful and lacks transparency, particularly in trying to determine the extent to which equality and human rights issues are integrated or delivered. Addressing this shortfall in relation to equality data would greatly help increase accountability in relation to the way the Structural Funds are used.

In addition, despite the fact that the Funds themselves require projects to address equality of opportunity as a cross-cutting theme, it can be difficult to assess the extent to which this is being done. One Managing Authority said that, as part of the application process, it ensured that all criteria, including equality, were robustly addressed. However, there was little done on project wind-ups to assess the extent to which equality had, in fact, been delivered. It was also suggested by others that many LEPs who distribute large amounts of the ESIF funds in England, focused on enterprise, jobs and growth with less interest in equality issues.<sup>105</sup> This, despite the requirements of the UK Partnership Agreement.

It would be of benefit to the Government to ensure there is a clear understanding of the reach of the Structural Funds across the UK's nations, regions and communities so this can inform and feed into the design and operation of new funding arrangements and the development of domestic priorities.

If Managing Authorities across the UK were to ensure that, as far as possible, disaggregated data and information for the final funding round are made available, so that equality and human rights-related issues and characteristics can be identified more readily, this would assist the VCS in constructing coherent arguments and strategies in relation to ongoing and replacement funding.

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<sup>105</sup> Interview with Managing Authority Representative

## 6.6. Technical issues

A number of technical issues identified during the research are listed below. Each will require attention and discussion across departments and with DExEU. One person interviewed for this research emphasised the importance of the VCS engaging with such issues in order fully to understand the implications they may have for the operation and winding down of existing and future projects, and so that they can work with and influence Government as solutions are sought and policies developed.

- The need to ensure that funding is provided for multi-year projects, not subject to annual spending limits.
- Arrangements should be in place between the UK and the EU so that projects that are currently funded beyond 2019 will receive the funding allocated on the basis upon which the award was made, whether as the result of ongoing draw down from the EU or provided directly by the UK Government.
- Clarity is needed on the audit arrangements for UK projects beyond 2019. One issue to consider is the extent to which the European Court of Audit will still have jurisdiction.
- There is concern about the amount of funding still to be drawn down by the UK Government and when this will be done. As at July 2017, a large amount of funds have yet to be allocated. One consultee urged that draw down takes place now so that projects are not at risk of losing out on funds that may rightfully have been theirs had Brexit not taken place.
- It was suggested that a watching brief should be maintained on draw down to ensure that approved Structural Funds are not 'bargained away' or used for other purposes by the UK Government.
- The agreement between the EU and the UK allows for up to three years beyond the funding period to spend the money awarded and wind up projects. There is anxiety that those who are only now applying for the second round of 2014-20 funds might be forced to wind up early and not complete their work. This situation needs to be clarified as soon as possible.
- Any transitional arrangements that may be negotiated beyond 2019 should take account of the potential impact there may be for projects funded under the Structural Funds.

## 6.7. Future funding

Here we outline some of the suggestions that have been made for a future funding programme. All those consulted were keen to stress that the sector is at the very early stages of this conversation – the process is just beginning. However, people are anxious that there are no delays and that the work needed to put a new funding regime in place progresses quickly and is given the priority it needs if the UK is properly to address the continuing need to tackle poverty and disadvantage and promote equality and human rights for all. As the Learning and Work Campaign puts it:

‘Brexit Britain must not lose 2.4 billion pounds investment in people [...] we call for successor programmes to ESF of at least the same value. This is a time for bold and creative thinking on how to create the jobs of the future, ensure everyone has a fair chance in life, and develop the skills we need for future prosperity.’<sup>106</sup>

A key theme among stakeholders is the need to reduce bureaucracy and simplify processes. It is common knowledge that EU bidding, monitoring and reporting mechanisms are complex, time consuming and sometimes inaccessible. This is particularly problematic for smaller projects and, as one interviewee expressed, prevents some groups from accessing funding. Furthermore, others drop out as they do not have the resources to cope with the paperwork. For example, the requirement to demonstrate that every participant in a project has the right to live and work in the UK may result in delay while the evidence is being sourced but, if a provider works with an individual in the meantime, they cannot claim back any costs associated with this if it turns out that the individual is not eligible. Also, the ESF requires a number of different levels of auditing, the preparation for which is time-consuming.<sup>107</sup>

Some would like to see smaller or niche projects, which would help ensure that local and grassroots work is supported. This local dimension is seen as crucial, not just in the development of project ideas but also in their design, operation, monitoring and evaluation. Local communities know what the focus and

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<sup>106</sup> [www.learningandwork.org.uk](http://www.learningandwork.org.uk) supporters include the Employment Related Services Association, Barnardos, St Mungos, Business in the Community, Disability Rights UK, Centrepoint, Gingerbread and TAEN

<sup>107</sup> Big Lottery interview

priorities should be, including on intersectional issues. This bottom-up approach is the one adopted by the Big Lottery Fund: by the community, for the community.

To ensure this happens at local and grassroots level, organisations must have the necessary capacity and skills, so it is important that time is taken to build an enabling infrastructure. This is particularly crucial if the concept of match funding is retained, as sourcing this can be difficult and complex for community organisations.

There should continue to be a significant focus on social inclusion encompassing equality and human rights. This would help to ensure an appropriate balance in funding so that poverty reduction and tackling disadvantage can be addressed appropriately. Concern was expressed that equality might be lost, particularly if funds are managed by government departments of Managing Authorities that have mainly a business and enterprise focus.

The October 2014 EIA noted that LEPs in England had been told to include a commitment to promoting equality and combating discrimination in their strategies, and provide proportionate evidence on equalities issues and how investment decisions would impact on these and ensure that those with equality expertise had been involved in preparing the strategy. It went on to describe how the UK-wide equality principles that had been developed would be embedded by Managing Authorities, including equality training, equality guidance, embedding equality impact into evaluation, etc.<sup>108</sup> It is not apparent that these expectations were delivered on nor that the Government took steps to hold Managing Authorities to account.

This highlights the need for the UK Government's proposals in relation to domestic priorities, the SPF, and future funding arrangements to be equality and human rights-proofed from the outset and monitored effectively in their implementation.

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<sup>108</sup> UK Partnership Agreement Equality Impact Assessment op. cit: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/368810/bis-14-1181-equality-impact-assessment-UK-partnership-agreement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368810/bis-14-1181-equality-impact-assessment-UK-partnership-agreement.pdf) pages 15, 23

In its July 2017 Discussion Paper, 'Beyond Brexit: future of funding currently sourced from the EU'<sup>109</sup>, the Local Government Association (LGA) sets out three options for the design and delivery of successor arrangements. It outlines eight principles, many of which will resonate with the VCS. For example, stable periods of funding, accountable to people and place, and funding that is easier to access and manage, and based on local determination and local delivery. It goes on to examine the three successor options of 'no change', 'innovative' and 'fully integrated'. The discussion paper notes that its analysis is intended to kick-start this conversation, which is timely and offers an opportunity for the VCS to join in this debate. It would be welcome, however, to see a focus on equality and human rights as underpinning principles included.

At its July 2017 IntoWork Convention,<sup>110</sup> ERSA, NCVO and the Learning and Work Institute set out their key messages and design principles for future funding and the Shared Prosperity Fund.<sup>111</sup> Its key messages are that:

- leaving the EU is an opportunity to improve on the ESF to reduce bureaucracy and duplication, while pushing more funding to the frontline;
- the successor fund should invest to tackle skills gaps and low productivity as part of the government's Industrial Strategy;
- the new fund should be led by partnerships developing community-driven solutions for greater social cohesion;
- re-shaping investment today to deliver savings in the long-term.

Future funding design principles need to:

- reflect the link between health, wellbeing and employment services;
- ensure ease of access;
- deliver through multi-agency and multi-sectoral community partnerships;
- incorporate the principles of additionality and complementarity;
- foster innovation;
- include a mix of long-term funding and short-term trials;

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<sup>109</sup> Local Government Association *Beyond Brexit: future of funding currently sources from the EU*, July 2017

<sup>110</sup> [http://stats.learningandwork.org.uk/events\\_presentations/IntoWork2017/presentations/32Future.pdf](http://stats.learningandwork.org.uk/events_presentations/IntoWork2017/presentations/32Future.pdf)

<sup>111</sup> <https://www2.learningandwork.org.uk/intowork2016>



- involve a quicker process to identify need and allocate funds.

The earlier discussion on developing UK domestic priorities and the operation of the SPF with its link to an Industrial Strategy stressed the need for these to be underpinned by equality and human rights principles, and for them to advance equality and human rights goals. As noted above in relation to the LGA position, it is important that these principles continue to be reflected in the VCS campaign.

At the EDF Roundtable in July 2017, it was recommended that the sector should investigate alternative financing options. Some bodies responsible for distributing funding have begun conversations with delivery partners about the need for diversification, helping community organisations and social enterprises to identify their funding shortfalls and gaps with a view to filling them. The Welsh Funding Foundation says, 'The unspoken question here, however, is with what? The size of these funding pots hasn't increased simply because the UK is exiting the EU.'<sup>112</sup>

According to the NCVO's Civil Society Almanac 2017,<sup>113</sup> charities receive £15.3 billion from Government, the EU and international government. The EU monies make up a minimum of £300 million. Government is the second largest source of income for charities, whilst charities and grant-making foundations provide £4 billion. These figures, together with evidence provided by the Association of Charitable Foundations and various grant-making foundations, highlight that the VCS will not be able to fill the gap left following the loss of EU funds.

The Government should therefore commit to replacing the range of EU funds at minimum in line with the current levels.

In addition, the sector as part of its work on replacement funding options should include an assessment of opportunities further afield, for example the European Social Investment Bank, the World Bank or other international donors.

Finally, the recent UK Government commitment to the continuation of the current PEACE IV programme was noted above, along with its willingness to consider how such funding might be possible post-Brexit. It is important that

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<sup>112</sup> Wales Funding Foundation

<sup>113</sup> (NCVO) UK Civil Society Almanac 2017 – Income Sources. Available at: <https://data.ncvo.org.uk/a/almanac17/income-sources-2/>

PEACE funds retain the status they currently have as a unique Northern Ireland/Republic of Ireland programme. They should not become part of an overall replacement fund 'pot' of money where they might be at risk due to other demands for funding. Nor should the needs of other organisations across the four nations be placed in competition with PEACE initiatives.

## Appendix A

### List of acronyms

BBO	Building Better Opportunities fund
BEIS	Department for Business, Energy and Industrial Strategy
BIS	Department for Business, Innovation and Skills (subsequently BEIS)
BLF	Big Lottery Fund
BAME	Black, Asian and minority ethnic
CCT	Cross cutting themes
CST	Community Security Trust
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
DExEU	Department for Exiting the European Union
DWP	Department for Work and Pensions
EDF	Equality and Diversity Forum
EIA	Equality Impact Assessment
ERDF	European Regional Development Fund
ERI	Employment Recruitment Incentives
ERSA	Employment Related Services Association
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESRA	Education and Skills Funding Agency
EU	European Union
GEO	Government Equalities Office
ICT	Information and communication technologies
LEP	Local Enterprise Partnership
MCHLG (formerly	Ministry for Communities, Housing and Local Government DCLG)
NEET	Not in Education, Employment or Training
NOMS	National Offenders Management Service
PA	Partnership Agreements
PROGRESS	European Commission Anti-Discrimination Progress Action Grant
REC	Rights Equality and Citizenship Programme
RNIB	Royal National Institute for the Blind
SCVO	Scottish Council for Voluntary Organisations
SDS	Skills Development Scotland
SME	Small and Medium Sized Enterprise
SPF	Shared Prosperity Fund
STEM	Science, Technology, Engineering and Mathematics
VCS	Voluntary and Community Sector

WCVA      Wales Council for Voluntary Associations  
WEFO      Welsh European Funding Office

## Appendix B

### List of resources

- Department for Employment and Learning (May 2012) Mid-term Evaluation of the Northern Ireland European Social Fund Programme, 2007-2013. Main report
- DWP (2014) European Social Fund in England, Improving People's Lives 2013-2014. Crown Copyright
- Employment Related Services Association (no date) European Social Fund (ESF) Investment in the UK,
- England and Gibraltar ESF convergence, competitiveness and employment programme for 2007-2013 Final ESF Gender Equality and Equal Opportunities Mainstreaming Progress Report, July 2016
- European Commission (2006) European Social Fund (2007-2013) support Gender Equality.  
[http://ec.europa.eu/employment\\_social/esf/docs/genderequality\\_en.pdf](http://ec.europa.eu/employment_social/esf/docs/genderequality_en.pdf)
- European Commission (November 2015), European Structural and investment Funds 2014-2020: official texts and commentaries. Luxembourg: European Commission
- Equality Commission for Northern Ireland Protecting and advancing Equality and Good Relations as the UK exits from the European Union.  
<http://www.equalityni.org/ECNI/media/ECNI/Publications/Delivering%20Equality/EU-Exit-EqualitySummary.pdf>
- Forward Together Our Plan for a Stronger Britain and a Prosperous Future. The Conservative and Unionist Party Manifesto 2017. <https://s3.eu-west-2.amazonaws.com/manifesto2017/Manifesto2017.pdf>
- Hall Aitken (February 2012) European Social Fund Participants Survey Report.  
<http://www.gov.scot/resource/0040/00400347.pdf>
- HM Government (February 2017) The United Kingdom's exit from and the new partnership with the European Union. London: Crown Copyright

- HM Government (13 October 2014) United Kingdom Partnership Agreement – Equalities Impact Assessment (updated). London: Crown Copyright
- HM Government (August 2017), Northern Ireland and Ireland – position paper
- House of Commons (22 February 2017) Ensuring strong equalities legislation after the EU exit. Seventh Report of Session 2016-17  
<https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/799/799.pdf>
- The Labour Party Manifesto 2017: A Manifesto for a better fairer Britain.  
<http://www.labour.org.uk/index.php/manifesto2017>
- Local Government Association Beyond Brexit: future of funding currently sources from the EU, July 2017
- (NCVO) UK Civil Society Almanach 2017 – Income Sources. Available at:  
<https://data.ncvo.org.uk/a/almanac17/income-sources-2/>
- Northern Ireland Department for Employment and Learning Section 75 Equality of Opportunity Screening Template of European Social Fund Programme 2014-2020 <https://www.economy-ni.gov.uk/sites/default/files/publications/economy/european-social-fund-programme-2014-2020-screening.pdf>
- Scotland Equality Impact Assessment of European Structural Funds Programmes 2014-2020. <http://www.gov.scot/Resource/0044/00448106.pdf>
- Skills Funding Agency (November 2012) Equality Impact Assessment for European Social Fund (ESF) Specifications 2012-2015.  
<http://dera.ioe.ac.uk/24937/1/ESF%20Report%20%28web%29.pdf>
- Welsh European Funding Office (March 2015) WEFO Cross-cutting Themes Evaluation – Equality and Sustainability – Research Report.
- Welsh European Structural Funds Impact Assessments  
<http://gov.wales/funding/eu-funds/2014-2020/programme-evaluations/equality-impact-assessments/?lang=en>
- Welsh European Funding Office (July 2014) Ireland/Wales Territorial Cooperation Programme 2014-2020 Equality Impact Assessment Report  
<http://gov.wales/docs/wefo/publications/150128iwequalityimpactassessment>.

[pdf](#)

- Welsh European Funding Office (July 2014) 2014-2020 European Regional Development Fund Programmes for Wales - Equality Impact Assessment Report  
<http://gov.wales/docs/wefo/publications/150128erdfequalityimpactassessment.pdf>





## National Assembly for Wales Finance Committee

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

#### Response by the Bevan Foundation

1. The Bevan Foundation develops solutions to some of Wales' most challenging problems. We are a registered charity and independent of government and any political party. We are grateful for the opportunity to contribute to this inquiry.
2. Our comments draw on work undertaken in partnership with the Welsh Local Government Association on regional policy after Brexit in 2017.<sup>1</sup> It is also informed by the experience of our Director, Victoria Winckler, who drafted numerous EU programmes including the former Objective 2 and Rechar programmes, was instrumental in securing Objective 1 status for West Wales and the Valleys and in the creation of an arms-length body to administer EU funds.
3. The Bevan Foundation is not involved in current EU programmes in any capacity.

#### Financial Planning

4. We are not engaged in or aware of any planning for replacing EU funding or in any scenarios created, but this is not to say that they are not underway. Given the importance of EU funding to several policy areas and the adjustment that may well be required it would appear to be sensible to make preparations, no matter how uncertain the situation.

#### Alternative administrative arrangements

5. The current arrangements for administering EU funds are the product of 30 years' sometimes bitter experience, and some principles that underpin the current approach should be retained:
  - a. Administration should be independent, transparent and accountable, so that people and organisations have confidence that funds are allocated fairly, without favour. We would suggest that administration should be by an arms-length body, although not one necessarily that covers the whole of Wales.
  - b. Prioritise the areas of greatest need: those areas with the greatest economic challenges should be the focus of greatest investment. This principle that secured EU funding in the first place should continue to apply and do so within Wales.
6. There are also important lessons to be learned from the current approach, as follows:
  - a. **Link with regional policy:** successful use of regional development funding requires that there are clearly articulated economic plans. Many past EU funding programmes have had to operate in a policy vacuum, resulting in a patchwork of loosely-connected projects and sometimes duplication of effort. A clear blue-print

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<sup>1</sup> After Brexit: Regional economic policy in Wales October 2017. Available at:

<https://www.bevanfoundation.org/publications/brexit-regional-economic-policy-wales/>

for the appropriate parts of Wales, showing key investments by a range of partners, is therefore key.

- b. **Allow for variation between areas:** different parts of Wales have different socio-economic needs and potential. A framework for rural mid-Wales should be very different to one for the Heads of the Valleys. An all-Wales approach, or even a four-regions approach, is not necessarily the most appropriate geographical scale for planning purposes.
  - c. **Timely decision-making:** the early days of almost all programmes were characterised by very considerable delays in decision-making. It is vital that there is a quick turn-around in decisions about future funding.
  - d. **Focus on long-term outcomes:** replacement funds should be focused on achieving tangible improvements in prosperity over the longer term, particularly for the least well-off people and places. This points to a focus on boosting productivity, low pay and job quality and increasing the skills and prospects of those with the fewest qualifications; and recognition of the importance of the foundational economy as well as high tech sectors.
7. Last, while it is outside the terms of reference of the Committee, a period of very significant economic adjustment is likely to occur in the years after Brexit, as industries adapt to changes in their markets, new competition, potentially new product requirements and possible changes in their workforce e.g. if zero net-migration is achieved. Any new administrative arrangements and forward planning will need to be both imaginative and highly responsive to new and potentially pressing circumstances.

Victoria Winckler

Bevan Foundation

17<sup>th</sup> May 2018

## **Equality and Human Rights Commission response to the Finance Committee's Inquiry into preparations for replacing EU funding for Wales**

For more information contact: Jamie Westcombe, Senior Associate at the Equality and Human Rights Commission in Wales on 029 2044 7710 and [Jamie.Westcombe@equalityhumanrights.com](mailto:Jamie.Westcombe@equalityhumanrights.com)

### **1. Executive summary**

- 1.1 The Commission's 'Healing the Divisions: a positive vision for equality and human rights in Britain'<sup>i</sup> sets out a 5 point plan for how Britain can keep and strengthen its status as a world leader on equality and human rights after we leave the European Union.
- 1.2 EU funding currently plays an important role in promoting equality and tackling discrimination in Wales.
- 1.3 It is important that the loss of EU funding does not have a detrimental impact on efforts to promote equality and human rights in Wales.
- 1.4 The UK Government's proposed Shared Prosperity Fund - and any other funds and programmes in the UK and Wales - provide an opportunity to invest in projects that promote equality & human rights and tackle discrimination.
- 1.5 New funding programmes in Wales should take into consideration people's protected characteristics and the relationship with socio-economic status and other disadvantages.
- 1.6 We are currently commissioning a research report on the potential implications for equality and human rights in Britain of the loss of EU funds. We expect to publish our report in Autumn 2018. We will be pleased to share it with the Committee at that point.

### **2. Recommendations**

#### **The Welsh Government should:**

- 2.1 Ensure the loss of EU funding, such as the European Social Fund and the Equality and Citizenship Programme, does not undermine Wales's equality and human rights infrastructure. This includes academic research, for example on violence against women and how to police it, and voluntary sector services, for example those supporting older and disabled people in employment.
- 2.2 Conduct Equality Impact Assessments and engage with interested parties when devising new policies and allocating funding as a result of upcoming changes to funding programmes.
- 2.3 Consider the findings and further recommendations of the Commission's upcoming report into the potential implications for equality and human rights in Britain of the loss of EU funds.

### **3. Introduction**

- 3.1 The Commission welcomes the opportunity to respond to the Finance Committee's Inquiry into preparations for replacing EU funding for Wales.
- 3.2 The Equality and Human Rights Commission has been given powers by the UK Parliament and the United Nations to advise governments and parliaments on the equality and human rights implications of laws and proposed laws. This role is crucial in the wake of the changes that are likely to flow from the UK's decision to leave the European Union.
- 3.3 Britain has a long history of upholding people's rights, valuing diversity and challenging intolerance. At this moment of significant constitutional change, it is important to set out a positive vision for the kind of country we want to be after we have left the EU. The Commission is encouraging all UK Governments and political parties to pursue priorities to protect and promote equality and human rights in Britain.

### **4. Protecting the UK's equality and human rights infrastructure**

- 4.1 The Commission's 'Healing the Divisions: a positive vision for equality and human rights in Britain'<sup>iii</sup> sets out a 5 point plan for how Britain can keep and strengthen its status as a world leader on equality and human rights after we leave the European Union. One of the 5 priorities, and a related recommendation, is:

*Protecting the UK's equality and human rights infrastructure*

*The UK Government and devolved governments should ensure the loss of EU funding, such as the European Social Fund and the Equality and Citizenship Programme, does not undermine the UK's equality and human rights infrastructure. This includes academic research, for example on violence against women and how to police it, and voluntary sector services, for example those supporting older and disabled people in employment.*

### **5. EU funding for equality and human rights projects in Wales**

- 5.1 EU funding currently plays an important role in promoting equality and tackling discrimination in Wales.

- 5.2 Wales receives £370m a year from the EU to invest in the 2014 - 2020 European Structural and Investment Fund Programmes.<sup>iii</sup> This includes the Structural Funds, the Rural Development Programme and the Maritime and Fisheries Fund. Equal Opportunities and Gender mainstreaming (EO&GM) is one of three cross-cutting themes integrated into the 2014-2020 Programme.
- 5.3 The Wales Council for Voluntary Action states that since 2007 the third sector in Wales has accessed in excess of £317 million of EU Structural and Investment fund through a range of grants and procured contracts. This funding has contributed to tackling some of Wales's starkest inequalities in its most deprived areas.<sup>iv</sup>
- 5.4 Chwarae Teg's Agile Nation 2 project is one example of a project that receives European Social Funding and contributes to the promotion of equality opportunities in Wales. The project helps to improve the position of women in the workforce across the Welsh Government's priority sectors in Wales.<sup>v</sup> It is important that the loss of EU funding does not have a detrimental impact on efforts to promote equality and human rights in Wales.
- 5.5 The UK Government has committed to replacing EU Structural Funds with a UK Shared Prosperity Fund, with full details to be confirmed. The Conservative Party 2017 manifesto stated: 'We will use the structural fund money that comes back to the UK following Brexit to create a United Kingdom Shared Prosperity Fund, specifically designed to reduce inequalities between communities across our four nations... The UK Shared Prosperity Fund will be cheap to administer, low in bureaucracy and targeted where it is needed most.' It did not specify which funds the Prosperity Fund will replace (in part or in full) or how the newly-formed fund will be administered.'
- 5.6 As yet, there have been no announcements on the replacement of other EU Funds that may have an impact on equality and human rights, for example the Rights, Equality and Citizenship Fund. The future is uncertain for other funds that may also have an impact on equality and human rights, including but not limited to the following funding programmes:
- Asylum, Migration and Integration Fund;
  - Education, Youth and Sport (Erasmus +),
  - European Union Programme for Employment and Social Innovation.

- 5.7 The UK Government's proposed Shared Prosperity Fund - and any other funds and programmes in the UK and Wales - provide an opportunity to invest in projects that promote equality & human rights and tackle discrimination.
- 5.8 Funding priorities identified by the UK Government should take account of devolution and regional concerns. The UK and Welsh Government should conduct Equality Impact Assessments at both national and sub-national levels to guide decision-making. Decisions should be informed by engagement with relevant stakeholders.
- 5.9 New funding programmes in Wales should take into consideration people's protected characteristics and the relationship with socio-economic status and other disadvantages. Individuals should be placed at the centre of any criteria for funding allocations, with wider economic and geographical concerns being considered alongside.
- 5.10 The public sector equality specific duties in Wales should be adhered to as a mechanism for this funding allocation and policymaking process in Wales.
- 5.11 Following the award of funding, managing authorities should be required to collect and analyse equality data.

## **6. Equality and Human Rights Commission research**

- 6.1 We are currently commissioning a research report on the potential implications for equality and human rights in Britain of the loss of EU funds. Our report will provide regional findings.
- 6.2 This report will provide an evidence base to develop further policy decisions to inform our response to the UK Government's consultation on the UK Shared Prosperity Fund. It will also inform our other UK and Welsh Government, and parliamentary, work.
- 6.3 This project will enable us to advise on the establishment of an improved and streamlined funding process that it is accessible to those who need it most. We expect to publish our report in Autumn 2018. We will be pleased to share it with the Committee at that point.

## **7. Recommendations**

### **The Welsh Government should:**

- 7.1 Ensure the loss of EU funding, such as the European Social Fund and the Equality and Citizenship Programme, does not undermine Wales's equality and human rights infrastructure. This includes academic research, for example on violence against women and how to police it, and voluntary sector services, for example those supporting older and disabled people in employment.
- 7.2 Conduct Equality Impact Assessments and engage with interested parties when devising new policies and allocating funding as a result of upcoming changes to funding programmes.
- 7.3 Consider the findings and further recommendations of the Commission's upcoming report into the potential implications for equality and human rights in Britain of the loss of EU funds.

## **8. About the Equality and Human Rights Commission**

- 8.1 The Equality and Human Rights Commission (the Commission) is a statutory body established under the Equality Act 2006. It operates independently to encourage equality and diversity, eliminate unlawful discrimination, and protect and promote human rights. It contributes to making and keeping Britain a fair society in which everyone, regardless of background, has an equal opportunity to fulfil their potential. The Commission enforces equality legislation on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. It encourages compliance with the Human Rights Act 1998 and is accredited by the UN as an 'A status' National Human Rights Institution. Find out more about the Commission's work at:  
[www.equalityhumanrights.com](http://www.equalityhumanrights.com).

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<sup>i</sup> Healing the Divisions: [Healing the Divisions: a positive vision for equality and human rights in Britain](#)

<sup>ii</sup> Healing the Divisions: [Healing the Divisions: a positive vision for equality and human rights in Britain](#)

<sup>iii</sup> Letter from Leader of the House and Chief Whip (24 January 2018)

<http://senedd.assembly.wales/mgIssueHistoryHome.aspx?IId=16644>

<sup>iv</sup> WCVA website: <https://www.wcva.org.uk/what-we-do/eu-referendum>





## REPLACING EU FUNDING IN WALES

### Submission to the inquiry by the Welsh Assembly's Finance Committee

**Prof Steve Fothergill**  
**Centre for Regional Economic and Social Research**  
**Sheffield Hallam University**

#### **Basis of this submission**

I have been invited by the Committee to appear as a witness at its hearing on 21 June. The present note is intended to set out a number of strategic issues that it might be helpful for the Committee to pursue at this particular hearing and in the inquiry more generally.

As an academic, I have more than four decades' research experience on UK urban and regional development, including on many issues applying to Wales. On the EU Structural Funds, my engagement extends back to the late 1980s. I helped construct the RECHAR programme of EU aid to coalmining areas (which ran from 1990 to 2000) and I provided, I hope, an important input to the frameworks for EU funding to the UK in the 2000-6, 2007-13 and 2014-20 spending rounds.

However, as some Committee members may be aware I also occupy a second role as National Director of the Industrial Communities Alliance, the all-party association of local authorities in the industrial areas of England, Scotland and Wales. In this capacity I have been centrally involved in the development of proposals on *Post-Brexit Regional Policy* which have been widely circulated and debated. I am aware that my colleagues in ICA Wales – the Welsh wing of the Alliance – have submitted written evidence to the Committee's inquiry and that this draws on these proposals.

My purpose here, therefore, is not to repeat the proposals that the Committee will receive from ICA Wales, which I recommend are given close consideration, but rather to make a number of general observations, based on my experience and knowledge, to help inform the Committee's deliberations.

#### **1. Importance of the EU funds**

It would be fair to say that the EU Structural Funds are currently the principal arm of regional policy in the UK, including in Wales. By 'regional policy' I mean policies intended to promote growth and jobs in less prosperous local economies. Many other policies also impinge on regional and local economic development but the contribution of the EU Structural Funds is not only substantial – in the present 2014-20 spending round it is worth £1.3bn a year to the UK – but it is also strongly targeted at weaker local economies. All parts of the UK receive

money from the EU Structural Funds but in the least prosperous local economies the per capita funding is many times higher than in the most prosperous parts of southern England.

Wales benefits substantially from the EU Structural Funds: in the present spending round it is set to receive a total of around £2.1bn (at the current exchange rate), which is approaching a quarter of all the funding coming to the UK. This large share is of course principally the result of the funding earmarked for West Wales & the Valleys (almost £1.8bn) as a result of its exceptionally low GDP statistics. Since EU regional policies were ramped up in the late 1980s, West Wales & the Valleys has received significantly more in funding than any other UK sub-region. By comparison, domestic UK spending on regional policy has declined over the years.

The point is that if the EU Structural Funds are not replaced – or if the replacement is inadequate – there would be a devastating blow to economic development efforts in Wales.

## **2. Measuring the impacts**

Unfortunately, it is hard to pin down the precise impact of all this EU funding, which inevitably frustrates discussion of ‘value for money’ or ‘cost per job’.

What is clear is that the EU co-finances a vast range of projects, in Wales and elsewhere in the UK, ranging from training and skills development to business support, R&D, infrastructure and environmental improvement. The projects vary greatly in size and in geographical coverage. It is reasonable to assume that in the absence of EU funding hardly any of the projects would have proceeded on the same scale if at all.

Measuring the resulting job creation is more problematic. Most EU-funded projects have to specify outputs such as the number of new jobs but simply adding up the totals – which is unfortunately what often happens – is profoundly misleading. In practice there can be double-counting, deadweight (where something would have happened anyway), displacement and exaggeration on the part of project sponsors.

The true measure of the impact of EU funding is the difference between what actually happened (e.g. in terms of output or employment) and what would have happened in the absence of the funding. Establishing the latter – what would have happened anyway – is an extremely difficult task because in all places and at all times so much else is happening simultaneously. In practice, therefore, it is impossible to put a robust figure on the economic impact of the EU Structural Funds.

What we can reasonably assume however, given the scale of the funding, is that the scale of the impact is large.

In the context of the Valleys, in particular, the continuing economic difficulties do not indicate that EU-funded interventions have failed. What needs to be kept in mind is that the entire economic base of many communities needed to be rebuilt following the disappearance of jobs in coal and steel and the closure of many of the factories that moved in during the immediate post-war years. Additionally, the Valleys have been handicapped by their difficult

topography and their relatively peripheral location in relation to UK markets and the strategic transport network. The question we should ask, perhaps, is just how bad things would have been in the Valleys in the absence of support from the EU.

### **3. Challenges**

The UK Government has promised to create a UK Shared Prosperity Fund to replace the EU Structural Funds. The promise was first set out in the Conservative manifesto for the 2017 general election and it was repeated in the *Industrial Strategy White Paper* published towards the end of last year. The manifesto said the new Fund is intended “to reduce inequalities between communities across our four nations” and that it “will be cheap to administer, low in bureaucracy and targeted where it is needed most”.

This is a welcome commitment. However, at the present time there are no further details. This leaves major unresolved questions:

- *How much will the new Fund be worth?* To match the existing EU Structural Funds coming to the UK, and allowing for inflation, the new UK Shared Prosperity Fund would need to be worth £1.5bn a year. There is no commitment, as yet, to the scale of the new Fund. The danger is that a smaller, token fund could be established, allowing the Treasury to pocket the difference to reduce the budget deficit.
- *How will the Fund be divided up across the UK?* This obviously matters a great deal to Wales. Given the EU Structural Funds’ strong skew to less prosperous economies, there are likely to be pressures from some parts of the UK – mainly southern England – to spread the funding more evenly.
- *What can the new Fund be spent on?* The EU Structural Funds have become too restrictive, leaving insufficient room to determine local priorities, so there is a good case for making a fresh start. But defining exactly what the new Fund can be spent on, and how this fits with other UK and Welsh spending streams, is something that will have to be decided.
- *How will the new Fund be managed?* As this will be a UK fund it is only reasonable to expect that the Westminster Government will set the broad objectives to be followed across the UK. The discretion available to Wales remains to be determined. Equally, the management of the new Fund within Wales, including the input of local authorities, will need to be determined.

### **4. Timescale and budgets**

The Committee will be aware that as part of the ‘divorce deal’ agreed between the UK Government and the EU in December, the UK will continue to participate in the EU Structural Funds as normal up until the end of 2020 (the end of the current EU spending round) even though Brexit itself is likely to occur in March 2019. Following the principle that ‘nothing is

agreed until everything is agreed', the divorce deal will apply so long as the UK does not fall out of the EU without a wider final deal in place.

Assuming participation in the EU Structural Funds continues up to the end of 2020, this means that new financial commitments to EU-funded projects can be made up until 31 December 2020 and, in turn, EU-funded spending on those projects can continue until the end of 2023. This is, thankfully, a long lead-in time but it does not change the fundamental decisions that still have to be taken about the replacement for the EU funds. These decisions remain an exclusively domestic UK matter, it is worth stressing, not a matter for negotiation with Brussels.

In practice, the new UK Shared Prosperity Fund needs to be fully in place by the end of 2020 so that there is no damaging hiatus in funding. Beyond the end of 2020 it will not be possible to make new EU-funded commitments even though actual spending on EU-funded projects will continue for up to a further three years. The new Fund also needs to be set up on a multi-annual basis, like the EU funds it replaces, if it is to create certainty, foster stability and allow the proper planning of ambitious projects.

The Treasury does not need to find 'new money' to pay for the UK Shared Prosperity Fund. This is money that would have been handed over to Brussels and then returned as EU aid. In its supporting documentation for the Chancellor's 2018 *Spring Statement*, the Office for Budget Responsibility identifies more than £13bn a year that will eventually no longer be paid over to the EU, beginning with £3.0bn in 2020-21 and rising steeply thereafter as spending commitments tail off. Spending always lags well behind new commitments, so expenditure on new projects supported by the UK Shared Prosperity Fund would in any case take some while to build up. The point is that there is plenty of money available.

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

Given the large share of EU funding presently coming to Wales, the allocation of the Shared Prosperity Fund between different parts of the UK is obviously of particular interest. There are two important observations here.

First, if the new fund prioritises less prosperous areas, as promised in the Conservative manifesto, Wales should remain entitled to a substantially larger share than its share of UK population. However, this can only be delivered in practice if the new fund, like the EU funding it replaces, is managed outside the Barnett formula.

Second, a reliance on statistics alone seems unlikely to deliver a Welsh share quite as large as at present. Much depends on the choice of indicators of course. However, if GDP per head continues to be the key criteria the current statistics suggest that at least a couple of large English sub-regions will have a strong claim for enhanced funding because of deteriorating GDP figures, in effect reducing the share of the pot available for Wales. The Welsh Government may in the circumstances prefer to argue for the status quo in terms of the division between the four countries, leaving any redistribution within England to be settled separately.

## **6. The UK Government's position**

I do not claim to have privileged insight into the current thinking of the Westminster Government but I do monitor developments with regard to the EU funds and have a dialogue with the civil servants charged with development of the new UK Shared Prosperity Fund. The Committee may wish to take note of the following observations.

First, it is clear that the funding and architecture of the UK Shared Prosperity Fund remain very much 'up for grabs'. There appears to be no retreat from the commitment made in the Conservative manifesto but, equally, UK ministers have not yet adopted a stance on any of the key downstream questions or, it would seem, yet provided a strong steer. A full-scale public consultation is still expected – as promised in the Conservative manifesto – but probably not until after this year's summer recess. The civil servants' expectation is that the consultation will begin to table proposals rather than simply call for suggestions.

Second, the sensitivity of the division of the Shared Prosperity Fund between the four constituent parts of the UK has certainly been noted. There is presently no decision or indeed proposal on this but there is an awareness that in the absence of compelling economic evidence to make a change the expedient way forward might be to maintain the status quo – i.e. the current division of the EU Structural Funds.

Third, there seems likely to be a significant steer from the UK Government as to how the Shared Prosperity Fund should be spent. For example, there is likely to be departmental resistance to the erosion of the present spending on skills and training (funded by the European Social Fund) which is seen as a key contributor in this field.

### **Concluding remarks**

With so many key decisions regarding the new UK Shared Prosperity Fund still to be taken, the present inquiry is exceptionally timely. There is the opportunity via the work of the Committee and its influence on the emerging position of the Welsh Government to exert an important influence on the UK Government's proposals, to the benefit not only of Wales but also other parts of the UK.

***Prof Steve Fothergill***  
***May 2018***

## **Preparations for Replacing EU Funding for Wales**

### **Inquiry by the Finance Committee of the National Assembly**

#### **Evidence Paper – Dr Grahame Guilford**

##### **Disclaimer**

The author is currently a member of the Programme Monitoring Committee for the 2014-2020 Structural Funds programme and has been involved in a range of other economic development work for Welsh Government and other Welsh public bodies. While those activities have, of course, informed the content of this paper, the views and opinions expressed are those of the author alone

##### **Summary**

1. At the end of the current Structural Funds (SF) period, Wales will have been in receipt of SF for more than 20 years. The reaction to the fact that SF may cease as a result of Brexit has therefore been predictable. The potential implications are complex, however, and so it is very important that Wales plans ahead for life after the “SF years”. I therefore welcome the Finance Committee’s inquiry and the opportunity to provide evidence to it
2. I think that there are people in Wales who will automatically assume that the non-availability of SF will have negative impacts, both economically and socially. I believe that this is a mistaken view and that it actually provides opportunities for Wales to develop a more bespoke and integrated approach to economic and social development which can still achieve significant impact even if levels of replacement funding are lower in absolute terms
3. This is because SF, for all the undoubted benefits they have brought to Wales, have inherent constraints in terms of where and how they can be applied. It has also proved more difficult than was probably expected originally to link the separate objectives and targets of the ERDF and ESF funding programmes to the Welsh Government’s strategic economic and social development plans in a way that would serve to maximise the synergistic potential of SF
4. 20 years of experience of a particular funding regime provides significant learning opportunities. What has worked well in Wales and what has not? How has the specific political climate in Wales affected our utilisation of SF? What does this mean for the way we should design our own approach to economic and social development now that we may have fewer constraints than before?
5. This paper will propose that the answers to those questions should be underpinned by four key principles:
  - Strategy – economic and social – top down, long term
  - Communication – integrated, inter departmental communication within Welsh Government and its partners to ensure decision making is consistent and informed by strategy
  - Demand driven – establishing economic priorities that then lead to appropriate support for business, skills and social development

- Synergy – all the public sector economic levers pulling in the same direction

## Background

6. In addition to my membership of the PMC, I have been involved in two reviews commissioned by Welsh Government (references 1,2) examining different aspects of the utilisation of European programmes and funding in Wales and how the impact of these could be maximised. The first review looked at lessons learned from the 2007-13 SF programme and how they could be usefully applied to increase the impact of the 2014-20 programme; the second looked more broadly at how Wales could derive greater benefit from its relationship with Europe by learning from best practice elsewhere and by more effectively integrating the use of SF with other EU programmes such as Horizon 2020, Interreg, Erasmus and so on. I believe that many of the conclusions and recommendations of those reviews may be relevant to the Committee's current enquiry
7. As part of my wider work with Welsh Government on economic development (reference 3), I had the opportunity to spend a large amount of time in Europe, particularly in Brussels, between 2013 and 2017 and was able to talk to a wide range of Commission officials and representatives from other EU members on their own experiences of SF. Those discussions were reported in detail in the second review referred to above and I have drawn on them in this paper

## Constraints and Lessons

8. The application of SF in Wales has clearly resulted in a number of benefits most obviously perhaps in infrastructure and HE expansion. However, that application has had to deal with a number of constraints which have arguably limited its impact. Some of these are inherent in the regulations underpinning SF, some have been exacerbated by the implementation policies we have used in Wales. These constraints and the reasons for them are discussed in greater detail in the reviews referred to above but, in summary, I believe there are six main areas in which they have manifested themselves
  - **Overestimation of impact** – The amounts of money available through SF since the initial Objective 1 programme have seemed very large which has perhaps led to over-optimistic views of what they could achieve in isolation. In fact SF has always represented relatively small single figure percentages of Wales' overall GDP and, as such, was only likely to achieve significant impact if used synergistically with other funding and initiatives
  - **Link to overarching economic development strategy** – To use the funds synergistically requires that their application is driven by an overarching understanding of key economic and social priorities and this has proved difficult to establish and maintain in Wales
  - **Eligibility criteria** – As pan-European funding programmes, the ERDF and ESF required the establishment of specific criteria to determine the

eligibility of individual projects for support. These funds are provided through different directorates in the Commission which means that using them synergistically, even where there is local agreement on priorities is not always straightforward

- **Geography** – In order to meet the overall eligibility criterion for SF support (GDP less than 75% of the EU average), Wales was divided into two regions which resulted in the more economically active areas, critical to the regeneration of the less economically active areas, being ineligible for the highest levels of investment
- **Scale** – The vast majority of SF investments in Wales have been at the sub 50m euro level and, in isolation, this scale of investment will often struggle to create critical mass. I heard from senior Commission officials in Brussels that they have observed this problem in the application of ERDF in particular across Europe
- **Risk Management** – The use of public funds to invest in economic regeneration and development is a risk based investment no different in principle to a private sector investment. The public sector has, however, felt an obligation to seek mechanisms to mitigate this risk. These mechanisms typically result in longer decision making cycles which can themselves then lead to additional risk.

## **Opportunities and Benefits**

9. As with much of the fallout from Brexit, the area of future funding for economic and social development in Wales is one where there are more questions than answers. While it is absolutely right for Welsh Government to consider the post-Brexit options, the number of different scenarios and their implications, make this a difficult task
10. My own view, therefore, is that Welsh Government should focus on the principles that will underpin a future funding structure and how that structure might be effectively integrated with its existing policy objectives rather than on the minutiae of alternative scenarios
11. I also believe that while maintenance of an external political position of “pound for pound” replacement may be understandable, internal planning should be based on an assumption that absolute values of available support funding are likely to be lower in the future than they are now
12. The important thing, therefore, is for Wales to ensure that it has more freedom to determine the administrative mechanisms it uses to manage the funding and that these are not pre-determined by the provider
13. The Welsh Government’s Economy Department has recently published its economic action plan “Prosperity for All”. This document provides a potential template for an administrative structure that could adapt to a variety of funding scenarios
14. It would be a mistake, however, to assume that responsibility lies solely with a small number of individual departments within Welsh Government. Our existing links with Europe, many of which may continue post-Brexit, involve the economy, education,



environment, social care, healthcare, culture, business and all the financial mechanisms that underpin those areas. All of these areas have their own impacts on ensuring “Prosperity for All” and it is essential, therefore, that Welsh Government takes a joined-up approach to future delivery with senior level inter-departmental contacts as a fundamental basis

15. These inter-departmental contacts can only be effective if they are informed by a consistent, top-down, view of Wales’ economic, educational and social priorities. Prioritisation in the real world means making hard choices, particularly where resources are constrained, and this can only be delivered from the senior levels of Government
16. Effective inter-departmental contacts, in the context of clear priorities, make synergies much easier to deliver. Synergies, in turn, can deliver the critical mass necessary for transformational change
17. Critical mass typically requires levels of investment well beyond what Government alone can provide. The role of Government and the public sector as a whole should therefore be an enabling role, creating the environment that facilitates private sector investment. Swansea University’s Bay campus or the Financial Services developments in Cardiff are obvious examples in which investments in the hundreds, rather than tens, of millions have been mobilised in areas where the geography is ideally suited to support additional leveraged investment. The City Deals in Cardiff and Swansea have the potential to be similarly successful if strategic thinking and the attraction of private investment are prioritised
18. This type of critical mass can then stimulate broader economic and social development through demand led educational, technical and vocational skills creation
19. Weaning ourselves off SF will not be straightforward in Wales but I believe it is not only achievable but can result in a more positive approach to economic and social development if we are prepared to take the long term strategic view

## References

1. Investing in Growth and Jobs: An Independent Review of Arrangements for Implementation of European Structural Funds Programmes 2014-2020, Dr Grahame Guilford, March 2013
2. Europe Matters to Wales: EU Policy and Funding Opportunities for Wales 2014-2020, Dr Grahame Guilford, Dr Hywel Ceri Jones and Gaynor Richards
3. Dr Grahame Guilford worked in business for 30 years in life science and healthcare sector in Wales. During that time, he worked closely with the WDA and subsequently Welsh Government in economic development. He chaired Welsh Government’s advisory panel in the Life Science sector and was a Board member of the Life Science Hub for the first four years of its existence. He has worked closely with the HE sector in Wales, notably with Cardiff and Swansea Universities, in developing their regional and national economic impacts. He chaired one of the Thematic Advisory groups during the Objective 1 period and has been a member of the PMC for the 2007-13 and 2014-20 programmes

Ymatebion i'r Ymgynghoriad yn  
y Gymraeg

Consultation Responses in the  
Welsh Language



## Gofal Cymdeithasol Cymru Social Care Wales

### **Beth fydd yn disodli cyllid yr UE yn dilyn Brexit? – Ymchwiliad newydd gan un o bwyllgorau'r Cynulliad**

**Mae cylch gorchwyl yr ymchwiliad fel a ganlyn:**

- Asesu'r gwaith cynllunio ariannol ar gyfer disodli ffrydiau ariannu'r UE yng Nghymru, a'r hyn sy'n cael ei wneud i baratoi ar gyfer gwahanol sefyllfaoedd posibl o ran lefelau cyllid a chyfrifoldeb gweinyddol; ac,
- Archwilio pa ddulliau o weinyddu'r hyn a fydd yn disodli ffrydiau ariannu'r UE a allai ddarparu'r gorau i Gymru, ac i ba raddau y gallai'r rhain ail-greu neu fod yn wahanol i'r trefniadau presennol.

### **Tystiolaeth gan Gofal Cymdeithasol Cymru**

#### **Cyswllt:**

Joanne Oak  
Cyfarwyddwr Gwasanaethau Corfforaethol a Strategaeth  
Gofal Cymdeithasol Cymru  
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### **1. Cyflwyniad i Gofal Cymdeithasol Cymru**

Mae Gofal Cymdeithasol Cymru yn Gorff a Noddir gan Lywodraeth Cymru a sefydlwyd o dan Ddeddf Rheoleiddio ac Arolygu Gofal Cymdeithasol (Cymru) 2016 i amddiffyn, hyrwyddo a chynnal diogelwch a llesiant y cyhoedd yng Nghymru.

Ein nodau yw:

- Gwella hyder y cyhoedd yn y gweithlu gofal cymdeithasol
- Arwain a chefnogi gwelliannau mewn gofal cymdeithasol
- Datblygu'r gweithlu gofal cymdeithasol a'r blynyddoedd cynnar

Fel rhan o'n nod o ddatblygu'r gweithlu, mae ein strategaeth pum mlynedd yn ein hymrwymo ni i wella ansawdd a rheolaeth hyfforddiant gofal cymdeithasol a gwaith cymdeithasol trwy ddylanwadu, buddsoddi a datblygu rhaglenni hyfforddi a datblygu cenedlaethol. Yn y cyd-destun hwn, rydym yn falch o gael cyfle i ymateb i'r ymgynghoriad hwn. Rydym yn cydnabod ein bod wedi manteisio ar ystod eang o ffrydiau cyllido'r UE, gan gynnwys rhaglenni cyfalaf, polisïau amaethyddol, polisïau morol a physgota, ac nid ydym yn gwneud unrhyw sylwadau

ar yr agweddau hyn. Mae ein tystiolaeth yn canolbwyntio ar gyllid yn ymwneud â Chronfeydd Strwythurol Ewropeaidd mewn perthynas â chyflogaeth, addysg, dysgu a datblygu busnes.

## 2. Demograffeg Cymru a'r sector:

Yn ddiweddar, nodwyd bod gofal cymdeithasol a gofal plant yn sectorau blaenoriaeth ar gyfer cyflogadwyedd ac yn y strategaeth economaidd **Ffyniant i Bawb**. Dylid nodi bod y sector hwn yn dal i fod yn gyflogwr mawr yng Nghymru, gyda 56,500 o weithwyr mewn gwasanaethau gofal cymdeithasol a gomisiynir (gan gynnwys y sector annibynnol a'r sector gwirfoddol/y trydydd sector) ar draws 1,414 o wasanaethau. BBaChau yw'r busnesau yn bennaf, gyda dim ond 7% yn cyflogi mwy na 100 o staff. Mae gwasanaethau gofal cymdeithasol yn cael eu darparu'n bennaf trwy bwrs y wlad, naill ai'n uniongyrchol neu drwy wasanaethau a gomisiynir gan yr awdurdodau lleol o'r sectorau preifat a gwirfoddol. Yn 2016-17, roedd tua 1,400 o wasanaethau gofal cymdeithasol a gomisiynir yn cyflogi tua 50,500 o staff yng Nghymru<sup>1</sup>. O'r rhain, mae 22% yn y sector gwirfoddol a 78% yn y sector preifat. Yn ogystal, ym mis Mawrth 2017, roedd 21,840 o staff yn cael eu cyflogi'n uniongyrchol gan wasanaethau cymdeithasol mewn awdurdodau lleol<sup>2</sup>. Mae hyn yn awgrymu cynnydd o 3.4% o'r gweithlu ers 2014.

Rhybuddiodd Pwyllgor Dethol Tŷ'r Arglwyddi ar Wasanaeth Cyhoeddus a Newid Demograffig ym mis Mawrth 2013 nad oedd y DU yn barod o bell ffordd ar gyfer yr heriau cymdeithasol ac economaidd a gyflwynir gan gymdeithas sy'n heneiddio ac y byddai angen model gofal gwahanol iawn. Mae hyn yn cynnwys cynnydd yn y gofal cymunedol i geisio cadw pobl yn eu cymunedau a'u cartrefi eu hunain cyhyd â phosibl, cynnydd yn y defnydd o daliadau uniongyrchol a chynnydd mewn cyflyrau a chanlyniadau oedran sy'n cynyddu anghenion cymorth a gofal cymdeithasol, gan gynnwys dementia, anabledd ac eiddilwch corfforol a nam ar y synhwyrau. Yng Nghymru, mae'r newidiadau hyn yn cael eu hadlewyrchu yn y ddeddfwriaeth newydd, sef Deddf Gwasanaethau Cymdeithasol a Llesiant (Cymru) 2014. Rhwng 2015 a 2035, rhagfynegir y bydd cynnydd o 72% yn nifer y bobl dros 65 oed sydd â dementia<sup>3</sup>. Rhagfynegir y bydd nifer y bobl hŷn (y rhai sy'n 65 oed a hŷn) sydd angen gwasanaethau gofal preswyl yn cynyddu 82% rhwng 2015 a 2035, a'r niferoedd sy'n derbyn gwasanaethau cymunedol yn cynyddu 67% pan ddefnyddir ffigurau poblogaeth 2015 i ragweld twf poblogaeth mewn pobl hŷn<sup>4</sup>.

Mae AGC yn amcangyfrif bod tua 112,234 o bobl yn defnyddio gwasanaethau a reoleiddir ym mis Mawrth 2017 ar draws gofal cymdeithasol a'r blynyddoedd cynnar<sup>5</sup>, sef cynnydd o 3.7% mewn blwyddyn. Mae hyn yn cynnwys tua 6,133 o leoliadau a reoleiddir yn y sector,

<sup>1</sup> Data Partneriaeth Datblygu'r Gweithlu Gofal Cymdeithasol 2016-17: Uned Ddata Llywodraeth Leol 2017

<sup>2</sup> <https://statscymru.llyw.cymru/Catalogue/Health-and-Social-Care/Social-Services/Staffing/staffoflocalauthoritiesocialservicesdepartments-by-localauthority-posttitle>

<sup>3</sup> ibid

<sup>4</sup> <http://www.daffodilcymru.org.uk/>

<sup>5</sup> <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Services-for-Social-Care-and-Childrens-Day-Care/cssiwservicesandplaces-by-servicetype>

sef gostyngiad bach o 0.8% ers 2016<sup>6</sup>. Nid yw hyn yn cynnwys lleoliadau gofal teulu, anffurfiol neu gymunedol nad ydynt yn cael eu cwmpasu gan reoliad. Mae'r rhan fwyaf o ddarparwyr gofal yng Nghymru'n cael eu comisiynu gan y sector cyhoeddus a thrwy gyllid sector cyhoeddus i amrywiaeth o ddarparwyr yn y sector statudol, y sector annibynnol a'r trydydd sector.

Nid yw'r ffigurau hyn yn ystyried gwasanaethau eraill nad ydynt yn cael eu rheoleiddio sy'n darparu gofal dydd neu wasanaethau cymunedol eraill; mae'r gwasanaethau hyn yn cael eu datblygu a'u hannog o ganlyniad i Ddeddf Gwasanaethau Cymdeithasol a Llesiant (Cymru) 2014. Mae data pellach sylweddol ar gael os bydd angen.

Yn olaf o ran cyd-destun, mae'r cysylltiadau rhwng gofal cymdeithasol ac iechyd wedi'u cydnabod trwy ddeddfwriaeth newydd Cymru a'r effaith mae diffyg cyllid a mynediad gwael at ofal cymdeithasol yn ei chael ar y GIG, gan arwain at oedi o ran pobl yn dychwelyd i'w cartrefi yn dilyn arosiadau aciwt yn yr ysbyty. Mae'r gwaith o integreiddio'r agenda a'r gwasanaethau iechyd a gofal cymdeithasol yn cael ei sbarduno gan Ddeddf Gwasanaethau Cymdeithasol a Llesiant (Cymru) 2014 a chreu Byrddau Partneriaeth Rhanbarthol (2016), cynlluniau ar gyfer Canolfannau Iechyd a Gofal Integredig newydd ar draws Cymru (2017) a'r Gronfa Gofal Integredig (2018).

### 3. Sylwadau Cyffredinol ar Gylch Gorchwyl yr Ymchwiliad

Cyflwynodd Gofal Cymdeithasol Cymru ymateb i'r ymgynghoriad diweddar ***Buddsoddiad Rhanbarthol yng Nghymru ar ôl Brexit***. Credwn fod yr ymagwedd gyffredinol a amlinellir yn y ddogfen honno yn synhwyrol a phragmatig. Mae llawer o weithgareddau datblygu'r gweithlu yn ein sector wedi dibynnu ar ffrydiau cyllido Ewropeaidd, gyda rhai ohonynt yn (brentisiaethau) cenedlaethol ac eraill yn rhanbarthol megis y prosiect Sgiliau ar gyfer Cyflogwyr a Gweithwyr (SEE) yn y Gogledd a Sgiliau ar gyfer Diwydiant yn y De-orllewin. Bydd y ddibyniaeth hon yn parhau, ac yn cynyddu yn dilyn penderfyniad y llywodraeth i ymestyn y rheoliad trwy gofrestru'r gweithlu gofal cymdeithasol o 2018-2022.

Mae'r defnydd o raglenni cenedlaethol wedi bod yn dda yn ein sector (mae bron i draean o'r holl brentisiaethau yn ein sector), ond mae'r rhaglenni rhanbarthol wedi'u defnyddio llai. Felly, rydym yn awgrymu y dylid gwneud y canlynol o ran asesu cynlluniau ariannol:

- Sefydlu blaenoriaeth ar gyfer dadansoddiad clir o'r defnydd a chanlyniadau gwahanol ffrydiau cyllido presennol.
- Dysgu gwersi yn ymwneud â marchnata, targedu, allbynnau a chanlyniadau i gynyddu'r defnydd o unrhyw gyllid, yn enwedig os bydd y prif fuddsoddiad yn y dyfodol yn rhanbarthol.
- Dylai'r buddsoddiad sy'n ofynnol gan gyflogwyr i gael mynediad at gyllid mewn perthynas ag addysg a sgiliau ac, yn benodol, yr effaith mae hyn yn ei chael ar

<sup>6</sup> <http://careinspectorate.wales/docs/cssiw/report/171102annualreporten.pdf>

sectorau, gael ei ariannu gan y sector statudol yn bennaf. Mae hyn yn arbennig o bwysig lle mae'r sectorau hyn yn flaenoriaethau yn rhannau Economi Sylfaenol a Chyflogadwyedd o'r economi.

Rydym yn croesawu ac yn cytuno â'r egwyddorion a amlinellir yn yr ymagwedd ranbarthol. Yn arbennig, byddem yn cefnogi'r canlynol:

- Rôl fwy arwyddocaol i bartneriaethau rhanbarthol cynhwysol o ran cynllunio a gwneud penderfyniadau, a hwylusir trwy alinio adnoddau.
- Cymysgu dulliau buddsoddi cenedlaethol, rhanbarthol a lleol cyflenwol sy'n seiliedig ar ranbarthau economaidd swyddogaethol.
- Integreiddio gwahanol feysydd polisi sy'n canolbwyntio ar bobl a lleoedd, gan uno gwahanol ffynonellau cyllido a modelau cyllido.

#### 4. Archwilio pa ddulliau o weinyddu'r hyn a fydd yn disodli ffrydiau ariannu'r UE a allai ddarparu'r gorau i Gymru, ac i ba raddau y gallai'r rhain ail-greu neu fod yn wahanol i'r trefniadau presennol.

Mewn rhai Partneriaethau Sgiliau Rhanbarthol, rydym wedi dod ar draws heriau gydag ymgysylltu ar ran ein sector. Mae'n gallu bod yn anoddach dadlau am flaenoriaeth neu adnoddau oherwydd strwythurau cyfyngol cynrychiolaeth cyflogwyr a ddefnyddir a'r ffaith bod pwyslais yn cael ei roi ar gyfalaf a mewnfuddsoddiad a chyfraniadau gwerth ychwanegol gros uchel<sup>7</sup>. Mae'n ymddangos bod hyn yn cael blaenoriaeth dros y pwyslais a roddir ar iechyd, gofal cymdeithasol, gofal plant a'r blynyddoedd cynnar trwy ddogfennau polisi megis **Deddf Cenedlaethau'r Dyfodol (Cymru) 2015, Ffyniant i Bawb** – cyflogadwyedd a'r economi sylfaenol. Mewn RLSPs eraill, mae strwythurau ar waith sy'n galluogi mwy o ymgysylltu a dylanwad i'r sector.

- Byddem yn gofyn am i bob system newydd ddelio â chyllid yn dilyn Brexit ddefnyddio'r ymagwedd fwy cynhwysol hon. Mae hyn yn dod yn fwyfwy hanfodol wrth i gyfrifoldebau Bwrdd Prentisiaethau Cymru (a'r cysylltiadau â Phartneriaethau Dysgu a Sgiliau Rhanbarthol) ddod i'r amlwg, gan sicrhau cymeradwyaeth a chyllid dilynol wrth gwrs.

Bydd buddsoddiad parhaus gan y llywodraeth yn natblygiad gweithlu ein sector yn allweddol er mwyn rhoi **Ffyniant i Bawb** ar waith yn llwyddiannus, ynghyd â goblygiadau gwella'r gwasanaeth a'r gweithlu sydd wedi'u cynnwys yn yr adroddiad a gyhoeddwyd yn ddiweddar ar gyfer **Adolygiad Seneddol o Iechyd a Gofal Cymdeithasol yng Nghymru** a'r broses o ymestyn y gwaith o reoleiddio'r gweithlu gofal cymdeithasol trwy **Ddeddf Rheoleiddio ac Arolygu Gofal Cymdeithasol (Cymru) 2016**. Bydd hi'n bwysig helpu'r llywodraeth hefyd i gyflawni ei thargedau prentisiaeth a amlinellir yn y Rhaglen Lywodraethu **Symud Cymru Ymlaen 2016-21**.

<sup>7</sup> Mae Sgiliau Gofal a Datblygu newydd gwblhau ymchwil sy'n edrych ar y cyfraniadau gwerth ychwanegol gros fesul sector ym mhob un o'r gwledydd cartref. Cyhoeddir yr ymchwil hon ym mis Mai 2018.

Bydd hi'n bwysig i brosesau a mecanweithiau cyllido newydd ystyried anghenion ardaloedd ac amcanion cenedlaethol, ynghyd â rhanbarthau. Er mwyn cyflawni rhai o uchelgeisiau'r llywodraeth o ran creu mentrau cymdeithasol a gwella capasiti ac asedau cymunedol i gefnogi llesiant, efallai na fydd cyllid rhanbarthol yn gallu cyflawni hyn ar ei ben ei hun. Felly, efallai y bydd angen ystyried cyfraniad mwy lleol a bydd cyfraniadau cenedlaethol e.e. trwy gyllid prentisiaethau, yn dal i fod yn bwysig.

Mae cyflogwyr yn ein sector wedi ei chael hi'n anodd cynnal eu hymrwymiad i brentisiaethau yn dilyn cyflwyniad system asesu WEST a gofynion newydd y Cymhwyster Sgiliau Hanfodol, gan eu bod nhw angen cymaint o fuddsoddiad amser i ffwrdd o'r gweithle. Mae cyflogwyr a dysgwyr yn ansicr ynglŷn â'r ffaith nad yw'r system asesu'n adlewyrchu anghenion y cymwysterau a bod angen i'r asesiad ar gyfer dysgu ac asesu gael ei gynnal ddwywaith. Er ein bod yn gwbl gefnogol o'r angen am weithlu llythrennog a rhifog ac, erbyn hyn, gweithlu sy'n llythrennog yn ddigidol, mae'n bwysig dod o hyd i ffordd o gyflawni hyn yn fwy effeithiol ac esmwyth, gyda llai o amser i ffwrdd o'r gweithle.

- O'n gwaith ymgysylltu â chyflogwyr a darparwyr dysgu, mae WEST wedi creu rhwystrau i ddysgu, a dylai ei effeithiolrwydd a'i ganlyniadau anfwriadol gael eu profi a materion gael eu trafod.
- Rydym yn cefnogi'r angen am fethodoleg asesu cadarn yn y meysydd hyn, ond mae'r gofynion presennol yn peri i lawer dynnu'n ôl yn ein sector. Yn ddiweddar (Tachwedd 2017), dywedodd un darparwr dysgu mawr bod 40% wedi tynnu'n ôl o gymharu â chyfraddau blaenorol o 12%, i gyd yn ymwneud â gofynion WEST a Sgiliau Hanfodol.
- Mae cynlluniau Sgiliau Hanfodol yn y Gweithle blaenorol wedi bod yn fwy poblogaidd gyda chyflogwyr yn y sector ac wedi'u defnyddio'n eang gan gyflogwyr a dysgwyr yn y sector. Hoffem i'r cynlluniau hyn gael eu hadfer neu eu hailystyried.

Credwn y bydd hi'n bwysig gosod cyfeiriad cyffredinol trwy flaenoriaethau a fydd yn cyfrannu at ddatblygu economi Cymru a'r gymdeithas sifil sy'n ffurfio egwyddorion **Ffyniant i Bawb a Deddf Cenedlaethau'r Dyfodol (Cymru) 2015**. Mae pwysigrwydd gweithio ar draws adrannau'r llywodraeth yn glir, a byddem yn gobeithio gweld gweithgareddau rhyngadrannol yn parhau i sicrhau bod modd i flaenoriaethau a mentrau e.e. gydag Iechyd a Gofal Cymdeithasol, gael eu cefnogi gan y polisi ac ymarfer ym maes Addysg a Sgiliau, y Gymraeg, Pobl a Chymunedau ac ati.

- Mae'r Cynlluniau Cyflogaeth a Sgiliau RPS blynyddol yn ffordd dda o lywio adolygiad o flaenoriaethau cenedlaethol ond, er mwyn i hyn fod yn gwbl effeithiol, byddai angen i'r strwythurau mwy cynhwysol gyda dealltwriaeth a dadansoddiad eang y tu hwnt i economeg (a ddisgrifir uchod) gael eu mabwysiadu gan bob RSP.

Dylai fod modd cael mynediad rhwydd i unrhyw gyllid newydd, gyda chyn lleied o fiwrocratiaeth â phosibl. Mae enghraifft o'r angen i sicrhau mynediad hwylus yn dod o brofiad

negyddol ein sector o raglen yr UE, Cynnydd ar gyfer Llwyddiant, o 2015-17. Roedd y syniad y tu ôl i'r prosiect i ymateb i'r cyfyngiadau oedran ar gyfer prentisiaethau yn 2014 yn un da. Fodd bynnag, roedd yr amser a'r ymdrech sy'n angenrheidiol i gael cymeradwyaeth ar gyfer y prosiect (18 mis); y penderfyniad i ail-gaffael darparwyr yn hytrach na defnyddio'r darparwyr dysgu seiliedig ar waith presennol; y gwaith o ddewis darparwyr heb lawer o brofiad o addysg blyneddodd cynnar; yr amserlenni byr ar gyfer cwblhau'r fframweithiau ac ymateb cyflogwyr i beidio â defnyddio'r darparwyr hynny wedi arwain at gyfraddau defnydd isel ar gyfer y prosiect. Yn ogystal, un canlyniad anfwriadol oedd gostyngiad o 27% yn nifer y bobl sy'n dilyn prentisiaethau o'r prif gyllid prentisiaethau yn y rhan hon o'r sector.

Fel y nodir uchod, byddem yn cefnogi ystyriaeth a chymeradwyaeth ar gyfer cyllid mewn ffordd amserol. Credwn fod angen bod yn greadigol ac arloesol yn yr hyn a ariennir a sut y bydd yn cael ei ariannu – er enghraifft, mae cyllid ar gyfer cymwysterau cychwynnol yn angenrheidiol, ynghyd â chyllid datblygu ar gyfer gwobrau/meysydd DPP. Wrth i ni fynd ati i helpu'r llywodraeth i reoleiddio'r gweithlu a chyflawni'r weledigaeth yn **Neddf Gwasanaethau Cymdeithasol a Llesiant (Cymru) 2016, Deddf Cenedlaethau'r Dyfodol (Cymru) 2015 a Deddf Iechyd y Cyhoedd (Cymru) 2017**, mae hyn yn dod yn fwyfwy pwysig wrth i ni barhau i ddatblygu ein gweithlu yn hytrach nag aros ar y safonau gofynnol. Mae angen i ganran o gyllid fod ar gael i gefnogi'r ychwanegiad "ôl-gymhwysol" hwn i sectorau.





Simon Thomas AM  
Chair, Finance Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

9 May 2018

Dear Mr Thomas

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

ColegauCymru is pleased to respond to the National Assembly for Wales Finance Committee's 'Inquiry into preparations for replacing EU funding for Wales'. I attach a copy of the ColegauCymru response to the Welsh Government's consultation on 'Regional Investment in Wales after Brexit' which is relevant to the work of the inquiry.

It should be noted, that in response to the Welsh Government's proposals for the future of structural investment, ColegauCymru wrote to the Secretary of State for Wales in December 2017. In our letter we asked for clarification as to the way in which the proposed Shared Prosperity Fund would be put in place in Wales. Whilst we received an acknowledgement of our query, no further information as to the operation of the fund has been forthcoming.

I also attach a copy of the ColegauCymru research "Involvement of Welsh Further Education colleges and institutions in EU funding: An overview of the financial uptake". Further Education colleges across Wales have benefitted from European funding, using this to support and upskill the population of Wales through European programmes. These activities have made an important contribution to business and the economy, often in the most deprived areas of Wales. Over the past 10 years, FEIs in Wales have been involved in the delivery of EU funded projects to a total value of almost £600m, both as project lead or project partner. The high degree of concern about the potential loss of this funding across the FE sector must not be underestimated

In addition to the support provided for regional structural assistance, participation in the Erasmus+ and its predecessor programmes has proved valuable for learners in Wales. Since submitting our response to the Welsh Government consultation on 'Regional Investment in Wales after Brexit', ColegauCymru has had further success in bidding for Erasmus+ funding, building on our established and solid track record in applying for, and project managing, Erasmus+ funds on behalf of the FEIs in Wales. Since the launch of Erasmus+ in 2014, ColegauCymru has secured over €3.2million of Erasmus+ funding through its pan Wales consortium applications for staff and vocational

learner/apprentice mobility projects. In 2018, ColegauCymru has been successful in securing over €1.3 million of European funding for its learner mobility project:

All Wales Vocational Learner Mobility 2018/20

TOTALS

584 participants, 11 FE colleges, 1 employer, 19 subjects and 12 countries

= €1,383,808.00.

Furthermore, ColegauCymru secured funding of just over €40k in 2018 for a pan Wales staff mobility project to Helsinki, Finland to explore how the Centre for International Mobility (CIMO) has worked with vocational colleges in the city on the design and implementation of an internationalisation strategy for vocational education and training (VET).

Examples of past staff mobility projects include:

- 2014-15: Senior leaders from FE colleges in Wales, Estyn and Welsh Government visit Finland to explore how literacy and numeracy are embedded in a vocational curriculum.
- 2015-16: A visit to Basque Country, Spain to explore innovation and VET. Tknika, a centre of innovation in San Sebastian hosted the visit. Since the staff visit, ColegauCymru's CEO and Alun Davies AM, then Minister for Welsh and Lifelong Learning returned to San Sebastian to look in more detail at the Basque Country's strategy for innovation in relation to VET.
- 2016-17: A visit to Catalonia, Spain to explore bilingualism and employer demand for language skills in that region. Representatives from ColegauCymru, the FE colleges, Welsh Government and Coleg Cymraeg Cenedlaethol also participated.
- 2017-18: A visit to Denmark to see what actions are in place to deliver higher-level skills in a vocational setting and how capacity building amongst teaching staff is undertaken to deliver these skills.

ColegauCymru and the sector would welcome the opportunity to further discuss these matters.

Yours sincerely,

Rachel Bowen

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## **Cyflwyniad ysgrifenedig gan Gyngor Celfyddydau Cymru i ymateb i alwad Pwyllgor Cyllid Cynulliad Cenedlaethol Cymru am dystiolaeth yn rhan o'i ymchwiliad i baratodau ar gyfer disodli ffrydiau ariannu'r Undeb Ewropeaidd yng Nghymru, ar ôl i'r DU ymadael â'r Undeb hwnnw**

### **Cyd-destun:**

1. Cyflwynir y dystiolaeth ysgrifenedig hon ar y cyd gan Gyngor Celfyddydau Cymru a Celfyddydau Rhyngwladol Cymru.
2. Cyngor Celfyddydau Cymru yw'r corff cyhoeddus swyddogol sy'n gyfrifol am ariannu a datblygu celfyddydau Cymru. Rydym yn atebol i Gynulliad Cenedlaethol Cymru ac yn gyfrifol i Lywodraeth Cymru am sut y gwariwn yr arian a ddarparant ar gyfer celfyddydau Cymru. Rydym hefyd yn ddosbarthwr arian y Loteri ar gyfer celfyddydau Cymru. Celfyddydau Rhyngwladol Cymru yw cangen rhyngwladol Cyngor Celfyddydau Cymru.
3. Buom yn ymgysylltu mewn ffordd weithgar iawn â rhaglenni a ffrydiau ariannu Ewropeaidd dros y degawd diwethaf. Er 2008, mae Celfyddydau Rhyngwladol Cymru yn cynnal desg Ewropeaidd, a sefydlwyd i gynyddu ein hymgysylltiad ni ac un sector celfyddydol ehangach Cymru, â rhwydweithiau, cyfleoedd a phrosiectau Ewropeaidd. Bu hyn yn arbennig o bwysig ar gyfer prosiectau a pherthnasoedd a ddatblygwyd drwy ffrydiau ariannu Ewropeaidd trawswladol.
4. Buom yn gweithio'n bartner mewn prosiectau Ewropeaidd strategol gan gynnwys peilot y rhwydwaith symudedd, Practics (2008-11) a phrosiect INTERREG IVC, Toolquiz (2010-12). Sefydlasom hefyd rwydwaith anffurfiol o sefydliadau celfyddydol yng Nghymru sy'n weithredol yn rhwydweithiau a phrosiectau'r Undeb Ewropeaidd ac sy'n ceisio ymgysylltu â hwy. Enw hwn yw Fforwm Celfyddydau Cymru ac Ewrop. Lledaenwn wybodaeth ymhlith aelodau'r grŵp hwn ynglŷn â pholisi diwylliannol yr Undeb Ewropeaidd, cyfleoedd rhwydweithio a phrosiectau posibl gan gyfeirio ymlaen at ffynonellau perthnasol o arian rhyngwladol.
5. Ers y refferendwm am yr Undeb Ewropeaidd a'r canlyniad o blaid ymadael ag ef, rydym wedi ymhel â nifer o ddarnau o waith i asesu'r effaith bosibl y gallai hyn ei chael. Yn ystod haf 2016 cynhaliodd Celfyddydau Rhyngwladol Cymru arolwg ar ran Cyngor Celfyddydau Cymru i ddeall effeithiau posibl penderfyniad y refferendwm ar sector creadigol a diwylliannol Cymru. [\[1\]](#)

6. A ninnau'n aelod o Ffederasiwn y Diwydiannau Creadigol, cynaliasom ar y cyd ddigwyddiad yn Abertawe ym Medi 2016, i ddeall yn well effaith bosibl Brecsit ar gelfyddydau a diwydiannau creadigol Cymru. Porthodd y digwyddiad Adroddiad Brecsit a gyhoeddwyd gan Ffederasiwn y Diwydiannau Creadigol a wnaeth argymhellion allweddol i Lywodraeth y DU. <sup>[2]</sup>
7. Rydym wedi cyflwyno tystiolaeth i gyfrannu at waith Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol Cynulliad Cenedlaethol Cymru o amgylch Brecsit a pherthynas Cymru ag Ewrop yn y dyfodol <sup>[3]</sup>; rydym wedi ymateb i ymgynghoriadau gan Dŷ'r Cyffredin <sup>[4]</sup> ac ymchwiliadau <sup>[5]</sup> Tŷ'r Arglwyddi am effaith bosibl Brecsit ar ein sector. Cyflwynodd Eluned Haf, Pennaeth Celfyddydau Rhyngwladol Cymru, dystiolaeth ar ran sector celfyddydol y DU i Bwyllgor Diwylliant ac Addysg Senedd Ewrop <sup>[6]</sup>. Rydym hefyd wedi cymryd rhan mewn digwyddiad diweddar i ymgysylltu â rhanddeiliaid WEFO ynghylch buddsoddi rhanbarthol yng Nghymru ar ôl Brecsit. <sup>[7]</sup>
8. Bydd sylwadau ei hun i'w cynnig gan y sector celfyddydol a chreadigol a gefnogwn. Fodd bynnag, drwy ein gwaith gyda'r sector fe'n harweinir i gredu y bydd ein sylwadau'n gynrychioliadol o'r sector ar y cyfan.

### **Arian yr Undeb Ewropeaidd a chelfyddydau Cymru:**

9. Mae sector celfyddydol Cymru wedi elwa dros y blynyddoedd o amrywiaeth o raglenni ariannu'r Undeb Ewropeaidd. Yn Awst 2017, comisiynasom adroddiad gan Euclid i asesu cyfraniad yr Undeb Ewropeaidd at gelfyddydau Cymru er 2007 o ran ariannu, gan edrych ar gronfeydd strwythurol a thrawswladol. <sup>[8]</sup> Er bod mantais amlwg i'r celfyddydau o ran rhaglenni trawswladol megis Ewrop Greadigol, Erasmws + ac Interreg, mae hefyd fuddsoddiad mawr a ddaeth o gronfeydd Strwythurol a Buddsoddol Ewrop.
10. Trawsnewidiwyd celfyddydau Cymru gan yr arian Ewropeaidd a ddirprwywyd i Gymru. Mae'r buddsoddiad hwn wedi darparu arian cyfatebol sylweddol i brosiectau mor amrywiol â hyfforddiant, prentisiaethau, prosiectau cymunedol a chynlluniau adeiladu cyfalafol ar gyfer canolfannau'r celfyddydau, orielau a theatrau. Erbyn hyn mae gan Gymru seilwaith neilltuol o dda o leoliadau celfyddydol sy'n bensaernïol nodweddiadol sy'n creu cyfleoedd newydd i bobl ledled Cymru fwynhau gweithgaredd diwylliannol a chymryd rhan ynddo. Ac mae llawer o'r prosiectau cyfalafol blaenllaw hyn wedi gwthio'r cwch i'r dŵr o ran adfywio economaidd ac wedi bod yn gatalydd mewnfuddsoddi ac ymgysylltiad cymunedol.
11. Mae un enghraifft wych o sefydliad a gafodd arian oddi wrth Gronfa Ddatblygu Ranbarthol Ewrop ac a fraenarodd y tir i ragor o fuddsoddiad yn y celfyddydau sef [Galeri](#), canolfan fenter gelfyddydol a chreadigol yng Nghaernarfon. Agorwyd hi yn

2005 drwy fuddsoddiad partneriaeth a gynhwysai tua £1.7 miliwn o arian ERDF, bu gan Galeri bob amser ffocws cryf ar adfywio, ymgysylltu cymunedol a chymorth lleol ar gyfer sector creadigol Gwynedd. Daeth ei datblygiad ar safle Doc Fictoria yn gatalydd ar gyfer ailddatblygu'r ardal hon.

12. Rhoes arian ERDF, gydag arian cyfatebol drwy gynllun loteri cyfalafol Cyngor Celfyddydau Cymru a buddsoddwyr eraill, fuddsoddiad ariannol sylweddol i rwydwaith o ddiwydiannau creadigol a chelfyddydol uchel eu proffil ar draws Cymru. Cafodd pob un effaith drawsnewidiol ar eu cymuned. Yn eu plith mae **Canolfan Celfyddydau Aberystwyth, Theatr Mwldan** a [Phontio](#) Canolfan Arloesi a Chelfyddydol Prifysgol Bangor a agorwyd yn gymharol ddiweddar (sydd wedi cael tua £15 miliwn drwy ERDF).
13. Cafodd economi greadigol a chelfyddydol Cymru hefyd fuddsoddiad sylweddol drwy Gronfa Gymdeithasol Ewrop. Yn y cyfnod 2007-13 dosbarthodd Cyngor Celfyddydau Cymru, ac yntau'n gyd-noddwr rhaglen **Cyrraedd y Nod** gan Lywodraeth Cymru (2007-13), dros £10 miliwn i 73 prosiect a gyrhaeddodd dros 9,000 o bobl ifainc.
14. Bu nifer o raglenni datblygu sgiliau i'r diwydiannau creadigol o fudd i gelfyddydau Cymru, o gyrsiau mewn sefydliadau addysg bellach ac uwch i raglenni a reolir gan Skillset i hyfforddi awduron ar gyfer teledu a ffilm.
15. Cafodd celfyddydau Cymru - megis yr economi greadigol yn ei chyfanrwydd - fudd o amrywiaeth o raglenni trawswladol megis Ewrop Greadigol ac Interreg. Er enghraifft, yn 2015, elwodd pum sefydliad creadigol Cymru o'r bron i €1 miliwn oddi wrth [Ewrop Greadigol](#) (is-raglenni ym maes y cyfryngau a diwylliant). Mae'r rhain yn cynnwys Llenyddiaeth ar draws Ffiniau (ym Mhrifysgol Aberystwyth), sy'n arwain un o lwyfannau blaenllaw Ewrop gyda'i phrosiect [Ewrop Lenyddol Fyw](#). Cafodd prosiect [Coracle](#), a arweinir gan Brifysgol Cymru y Drindod Dewi Sant, ychydig dros €1.2 miliwn o arian ERDF drwy raglen Interreg 4A Cymru-Iwerddon. Cefnogi'r prosiect ddatblygu sgiliau i'r rhai sy'n gweithio yn y sectorau creadigol a diwylliannol, i sicrhau'r budd mwyaf yn economaidd, cymdeithasol a diwylliannol yn y sectorau hyn yn y ddwy wlad. Rhaglen arall a fuddsoddodd mewn creadigrwydd a sgiliau creadigol yw Erasmws +, er enghraifft drwy'r prosiect [rhwydwaith rhyngwladol cyfnewid ym myd y syrcais](#) y cyfranogodd NoFit State Circus ohono yn bartner yn 2014.

### **Senarios posibl – rhaglenni trawswladol yr Undeb Ewropeaidd:**

16. Dadleuwn yr achos o hyd dros barhau i gymryd rhan mewn rhaglenni trawswladol yr Undeb Ewropeaidd megis Ewrop Greadigol neu Erasmws +, ac rydym o'r farn y dylid ystyried cyfranogi o'r rhaglenni hyn ar ôl Brexit ar lefel ranbarthol (h.y. Cymru) os nad yw lefel y DU yn opsiwn hyfyw.

17. Os cyfranogai Cymru neu'r DU o'r rhaglenni hyn wedi Brecsit, byddai'n debygol mai fel "trydedd wlad" y byddai'r cyfranogi hwnnw. Byddai hyn yn arwain at rai costau a hefyd y byddai bod yn bartner mewn prosiectau dan y rhaglenni hyn yn gofyn am ddod o hyd i ganran uwch o arian cyfatebol.
18. Daw cyfranogi o'r rhaglenni hyn ag amrywiaeth o fuddion i bartneriaid, ac nid arian yn unig. Rydym o'r farn y byddai'n rhan hanfodol o'n cysylltiadau â'r Undeb Ewropeaidd gan agor drysau i rwydweithiau, cydweithio yn y dyfodol a llwybrau marchnata ar gyfer ein celfyddydau a'n cwmnïau creadigol. Roedd adnabod a sicrhau arian cyfatebol yn broblem gyson yn y gorffennol. Byddem felly yn annog creu "pot llwyddiant" a fyddai'n galluogi cwmnïau i gael arian cyfatebol, os llwyddent i gael gafael ar arian rhyngwladol yr Undeb Ewropeaidd.
19. Dylai Cymru hefyd gadw'r ddesg Ewrop Greadigol, hyd yn oed os caiff hyn ei hariannu gan Gymru y tu allan i'r rhaglen i annog partneriaeth dan "fodel trydedd wlad". Darparai desg o'r fath wybodaeth a chyngor gwerthfawr a ymestynnai y tu hwnt i faterion ariannu a sicrhau y parhâi Cymru i fod yn gysylltiedig â marchnadoedd a rhwydweithiau Ewrop.
20. Fodd bynnag, pe na allai Llywodraeth y DU a/neu Lywodraeth Cymru ddod i gytundeb â'r Undeb Ewropeaidd am barhau i gymryd rhan mewn rhaglenni o'r fath megis Ewrop Greadigol, ystyriem ei bod yn hanfodol sefydlu rhaglen ariannu newydd yn ei lle er mwyn galluogi prosiectau cydweithiol â'r Undeb Ewropeaidd.
21. Mae diwylliant yn faes datganoledig ac felly y dadleuwn mai Cymru a ddylai weinyddu rhaglen ariannu yn lle rhai Ewrop yng Nghymru. Gellid ei gweinyddu gan Lywodraeth Cymru neu fel arall drwy gyfuniad o gyrff cyhoeddus cyfredol sydd wedi'i sefydlu i reoli a dosbarthu arian. Er enghraifft, dosbartha Cyngor Celfyddydau Cymru tua £45 miliwn o arian cyhoeddus ar ffurf gymorth grant/arian y Loteri bob blwyddyn. Mae gennym drefniadau rheoli grantiau sydd wedi'u hen sefydlu, strwythurau llywodraethu sy'n gadarn, rydym yn atebol i Lywodraeth Cymru a chreffir arnom gan y Cynulliad Cenedlaethol.
22. Rydym yn rhan o grŵp o ddosbarthwyr y Loteri yng Nghymru (sy'n cynnwys Chwaraeon Cymru, Cronfa Dreftadaeth y Loteri, Loteri Fawr Cymru, Ffilm Cymru) sydd bob un yn gweithredu mewn modd tebyg. A ninnau'n gyrff cyhoeddus sectorol, mae gennym gysylltiadau agos â'n gwahanol sectorau.
23. Pe penderfynir gweinyddu'r rhaglen newydd yn lle rhai Ewrop ar lefel y DU, byddem yn rhagweld mwy o gydlyniant â chwaer sefydliadau gan gydweithio â hwy ochr yn

ochr. Yn achos y celfyddydau, y rhain fyddai'r Alban Greadigol, Cyngor Celfyddydau Gogledd Iwerddon a Chyngor Celfyddydau Lloegr. Byddai hyn yn sicrhau cymryd i ystyriaeth anghenion a blaenoriaethau'r sector creadigol ym mhob rhanbarth a chenedl ddatganoledig a chlywed llais Cymru.

### **Senarios posibl – rhaglenni yng Nghymru yn lle cronfa strwythurol a buddsoddi'r Undeb Ewropeaidd:**

24. Os na fydd arian cyfwerth sylweddol o'r DU yn lle arian yr Undeb Ewropeaidd, bydd effaith fawr o ran ariannu prosiectau datblygu seilwaith ac eraill yng Nghymru. Yn yr un ffordd ag y disgwyliem i Lywodraeth y DU roi arian yn lle'r arian a gollir i Gymru yn sgil tynnu allan o'r Undeb Ewropeaidd, byddem ni a'r sector yn dadlau y dylai'r Llywodraeth ddarparu buddsoddiad yn lle'r un a gollir i'r sector o ran cyfranogi o raglenni ehangach yr Undeb Ewropeaidd.
25. Credwn y dylai unrhyw drefniadau amgen yn y dyfodol ar gyfer buddsoddi i ddatblygu'n rhanbarthol fabwysiadu'r un safbwynt a gweledigaeth rhyngwladol a oedd yng ngwaith cyfredol cronfeydd strwythurol yr Undeb Ewropeaidd.
26. Rydym wedi comisiynu ymchwil i asesu cyfraniad yr Undeb Ewropeaidd at gelfyddydau Cymru o ran ariannu, ond mae o hyd ddiffyg data cynhwysfawr am lawn faint effaith buddsoddiad yr Undeb Ewropeaidd ar y celfyddydau a'r economi greadigol (a heb amheuaeth sectorau eraill hefyd) yng Nghymru a'r DU. Mae hyn yn rhannol oherwydd cymhlethdod raglenni ariannu'r Undeb Ewropeaidd a'r ffaith y rheolir pob rhaglen mewn ffordd wahanol. Mae amrywiaeth hefyd yn y ffyrdd y mae artistiaid a sefydliadau yn elwa arnynt. Mae rhai wedi cymryd rhan mewn rhaglenni a reolid gan bartneriaid eraill yn Ewrop, yn ogystal â bod yn bartneriaid arweiniol mewn rhaglenni. Cafodd eraill fudd o gyfleoedd hyfforddi a rhwydweithio allweddol ac mae'r data hwnnw'n anos ei gasglu. Yn aml gall ychydig bach o fuddsoddiad gael effaith sylweddol ar y sefydliadau dan sylw.

27. Mae hyn yn arbennig o arwyddocaol ar gyfer ein sector ni, lle mae sefydliadau ar y cyfan yn llai ac felly nid ydynt wedi arwain ar brosiectau ariannu strwythurol mawr. Byddem yn cefnogi model darparu am ffrwd ariannu yn lle un yr Undeb Ewropeaidd yng Nghymru sy'n ystyried agweddau partneriaethol leol (a allai gynnwys sefydliadau creadigol), fel yr awgrymwyd gan randdeiliaid yn y digwyddiad WEFO y cyfeiriwyd ato yn gynharach yn y cyflwyniad hwn. Mae ein rhaglen Creu Cymunedau Cyfoes yn cynnig model gweithio sydd ag amrywiaeth o bartneriaid lleol ar gyfer prosiectau adfywio. <sup>[9]</sup>Byddem o blaid model partneriaeth sy'n cynnwys rhanddeiliaid diwylliannol yn rhan o'r ddyletswydd a osodir ar gyrrff cyhoeddus drwy Ddeddf Llesiant Cenedlaethau'r Dyfodol.
28. Yn yr un modd, lle bynnag bo'n bosibl y dylid lleihau'r baich gweinyddol o bartneru mewn prosiect mawr ESIF gan yr Undeb Ewropeaidd i'r sefydliadau. Gellid gwneud hyn drwy symleiddio a chysoni'r prosesau, o ymgeisio hyd ddarparu a gwerthuso. Mae cyfle yma i fanteisio ar ein cryfderau a gwneud pethau'n wahanol.

Cyngor Celfyddydau Cymru / Celfyddydau Rhyngwladol Cymru  
Mai 2018

<sup>[1]</sup> [Celfyddydau Cymru a'r effaith bosibl o ymadael â'r Undeb Ewropeaidd](#), arolwg gan Gyngor Celfyddydau Cymru / Celfyddydau Rhyngwladol Cymru, Hydref 2016

<sup>[2]</sup> [Adroddiad Brexit Ffederasiwn y Diwydiannau Creadigol](#), Hydref 2016

<sup>[3]</sup> Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol y Cynulliad Cenedlaethol, [Perthynas Cymru ag Ewrop yn y dyfodol](#), Mawrth 2018

<sup>[4]</sup> [Effaith Brexit ar y diwydiannau creadigol, twristiaeth a'r farchnad sengl ddigidol](#), ymchwiliad gan Bwyllgor Diwylliant, Cyfryngau a Chwaraeon Tŷ'r Cyffredin, Hydref 2016

<sup>[5]</sup> Tŷ'r Arglwyddi, ymchwiliad is-bwyllgor materion cartref yr Undeb Ewropeaidd, [Brexit: symudedd pobl ym meysydd chwaraeon a diwylliant](#) (adroddiad wrthi'n cael ei lunio)

<sup>[6]</sup> [Cyflwyniad Eluned Haf](#) i Bwyllgor Diwylliant ac Addysg Senedd Ewrop.

<sup>[7]</sup> [Buddsoddi rhanbarthol yng Nghymru ar ôl Brexit](#), Llywodraeth Cymru (parhaus)

<sup>[8]</sup> [Asesu cyfraniad yr Undeb Ewropeaidd at gelfyddydau Cymru er 2007](#), Euclid, Awst 2017

<sup>[9]</sup> [Rhaglen Creu Cymunedau Cyfoes](#), Cyngor Celfyddydau Cymru 2013-17



# Ymchwiliad Pwyllgor Cyllid Cynulliad Cenedlaethol Cymru i baratodau yr hyn a fydd yn disodli cyllid yr UE yng Nghymru

Mai 2018



CLILC • WLGA

## **CYFLWYNIAD**

1. Mae Cymdeithas Llywodraeth Leol Cymru (CLILC) yn cynrychioli'r 22 awdurdod lleol yng Nghymru ac mae'r tri awdurdod parc cenedlaethol a'r tri awdurdod tân ac achub, a'r pedwar awdurdod heddlu yn aelodau cyswllt.
2. Mae'n ceisio cynrychioli awdurdodau lleol mewn fframwaith polisi sy'n dod i'r amlwg sy'n bodloni prif flaenoriaethau ein haelodau ac yn cyflenwi ystod eang o wasanaethau sy'n ychwanegu gwerth i Lywodraeth Leol Cymru a'r cymunedau y mae'n eu gwasanaethu.
3. Rydym yn croesawu'r cyfle i ymateb i Ymchwiliad Pwyllgor Cyllid Cynulliad Cenedlaethol Cymru i baratodau'r hyn a ddaw yn lle cyllid yr UE yng Nghymru pan fydd y DU yn gadael yr UE.
4. Mae CLILC yn gweithio'n rhagweithiol ac yn cyfathrebu'n rheolaidd â'i haelodau ar faterion yn ymwneud â Brexit, yn cynnwys yr hyn a ddaw yn lle cyllid yr UE a'r goblygiadau ar gyfer polisi rhanbarthol a gwledig. Mae ein hymateb yn ystyried cydfarn llywodraeth leol ar draws Cymru, fel Awdurdodau Lleol unigol mewn rhai achosion, ac fel rhan o Bartneriaethau Rhanbarthol ehangach mewn eraill.
5. Edrychwn ymlaen at barhau i weithio wrth i ddatblygiadau ar y maes polisi allweddol hwn yn parhau i ddatblygu.

## **Prif Negeseuon**

6. Mae Llywodraeth Leol wedi bod yn bartner allweddol i sicrhau Cyllid yr UE yng Nghymru yn ystod cyfnod sawl rhaglen. Mae Llywodraeth Leol yn chwarae rôl allweddol i sicrhau gweithgaredd wedi'i gyllido gan yr UE o fewn ardaloedd a rhanbarthau trwy ddarparu cynlluniau refeniw a chyfalaf uniongyrchol sy'n cefnogi gwelliannau i leoedd ac yn helpu pobl i fynd yn ôl i fyd gwaith. Mae Awdurdodau Lleol hefyd yn chwarae rôl strategol i ddarparu rhaglenni'n lleol trwy reoli a chydlynu'r cronfeydd ar lefel leol, fel Buddiolwyr Arweiniol neu Gyrff Arweiniol - gan gymryd cyfrifoldeb am reoli risg a gwariant lleol, er mwyn lleihau'r baich gweinyddol i drydydd partïon i hwyluso mynediad i'r rhaglenni gan fudd-ddeiliaid a grwpiau lleol.
7. Mae Llywodraeth Leol hefyd yn chwarae rôl ganolog ym modelau datblygu economaidd â ffocws rhanbarthol sy'n datblygu, a helpu i gydlynu'n strategol y broses o ddarparu

cyllid yr UE yn y cyfnod 2014-20 yn gyson â strwythurau partneriaeth rhanbarthol drwy'r Timau Ymgysylltu Rhanbarthol<sup>1</sup>.

8. Mae'r holl waith cyflawni'n lleol. Dim ond trwy gyfuno ymdrechion gan bartneriaid ar draws rhanbarthau Cymru, ar draws bob sector a bob lefel o Lywodraeth, wedi'i gynllunio a'i gyd-ddylunio mewn partneriaeth - y gellir cyflawni canlyniadau economaidd llwyddiannus.
9. **Prif flaenoriaeth i Gymru yw deall rheolau ymgysylltu ar gyfer cael mynediad i'r hyn a ddaw yn lle cyllid yr UE ar ôl Brexit.** Mae Cymdeithas Llywodraeth Leol Cymru'n gwbl gefnogol i'r lobio gan Lywodraeth Cymru ar Lywodraeth y DU i barchu'n llawn y broses o ddatganoli polisi a chyllid datblygu economaidd, a sicrhau cyllid llawn yn lle cyllid yr UE i Gymru. Fodd bynnag, ar hyn o bryd nid oes fawr ddim sicrwydd, os o gwbl, o natur y cyllid na'r drefn o'i lywodraethu yn y dyfodol. Mae gan hyn oblygiadau i'r fframweithiau polisi a llywodraethu sydd gennym yng Nghymru o ran ein gallu i gael mynediad i gyllid lefel-DU er mwyn cystadlu ochr yn ochr â strwythurau yn Lloegr a'r cenhedloedd datganoledig eraill.
10. Yn ddiweddar ymatebodd Cymdeithas Llywodraeth Leol Cymru i ymgynghoriad Llywodraeth Cymru dan y teitl "Buddsoddiad Rhanbarthol yng Nghymru ar ôl Brexit". Mae'r ymateb yn adeiladu ar rai o'r prif faterion a amlinellir yn yr ymateb hwnnw, mae ymateb CLILC ar ein gwefan <sup>2</sup>.

## **Cynllunio ariannol ar gyfer yr hyn a fydd yn disodli ffrydiau cyllido'r UE yng Nghymru**

11. Wrth ystyried yr ymateb i'r ymgynghoriad hwn, mae'n bwysig cydnabod yn gyntaf hyd a lled y gefnogaeth sydd ar gael ar hyn o bryd drwy gronfeydd UE, a beth a olygir wrth "gyllid UE" a weinyddir ar hyn o bryd ar lefel Cymru, y byddwn yn colli mynediad iddo wrth adael yr UE:
  - Cronfeydd Strwythurol Ewropeaidd (ERDF/ESF)
  - Rhaglen Datblygu Gwledig (EAFRD) a chymorth Pilar 1 PAC
  - Rhaglen Drawsffiniol Iwerddon-Cymru (ETC; ar y cyd ag Iwerddon)
12. Hefyd, mae'n bwysig ystyried y cronfeydd Ewropeaidd ehangach (e.e. Horizon 2020, Erasmus, Rhaglenni Cydweithredu Tiriogaethol eraill – Ardal yr Iwerydd a Gogledd

<sup>1</sup> <https://gov.wales/funding/eu-funds/2014-2020/applying/?skip=1&lang=cy>

<sup>2</sup> <http://www.wlga.wales/SharedFiles/Download.aspx?pageid=62&fileid=1531&mid=665>

Orllewin Ewrop ayb) sy'n cael eu rheoli ar lefel Ewropeaidd, y byddwn yn gallu, neu ddim yn gallu cael mynediad iddynt ar ôl Brexit. Yn ddiweddar bu i Lywodraeth y DU<sup>3</sup> ailddatgan ei fod yn cydnabod pwysigrwydd mynediad parhaus i rai o'r rhaglenni hyn, mae'r cwestiwn a fyddwn yn parhau i gael mynediad i'r rhain ynghlwm â'r trafodaethau ar y ddêl Brexit derfynol.

13. Ar hyn o bryd mae llawer iawn o ansicrwydd ynglŷn â'r cwestiwn beth a ddaw yn lle cyllid yr UE yng Nghymru. Tra bod cyhoeddiadau cychwynnol wedi'u gwneud ar lefel DU ynglŷn â datblygu Cronfa Ffyniant Gyffredin, a chymorth amaethyddol ar ôl Brexit, ni fu unrhyw fanylion pellach o bwys ar natur, ffurf neu argaeledd ffrydiau cyllido a fydd yn dod "yn lle cyllid yr UE".
14. I bob golwg felly, yn nhermau'r cronfeydd Strwythurol a Gwledig hynny y byddwn yn colli mynediad iddynt; gallem fod yn edrych ar dair senario bosibl ar gyfer llywodraethu/rheoli'r hyn a ddaw yn lle cyllid yr UE o gronfeydd a reolir ar lefel DU, o ran cronfeydd wedi'u datganoli i Gymru, neu ddim cyllid yn ei le o gwbl. I gymhlethu pethau ymhellach, gallem gael cymysgedd o'r senarios llywodraethu hyn ar draws nifer o feysydd polisi.
15. Rydym yn gwbl ymwybodol, ac yn gwbl gefnogol i'r lobio gan Lywodraeth Cymru ar Lywodraeth y DU i barchu'n llawn y setliad datganoli o safbwynt datblygiad economaidd a pholisi a chyllid amaethyddol a datblygu gwledig, ac i sicrhau cyllid llawn yn lle cyllid y DU i Gymru.
16. Fodd bynnag, nid ydym yn sicr ynglŷn â natur y gwaith cynllunio yng Nghymru ar gyfer y senario cyllid annatganoledig bosibl. Dylai fod yn brif flaenoriaeth fod Llywodraeth Cymru a'i phartneriaid yn deall rheolau ymgysylltu ar gyfer cael mynediad i unrhyw gyllid a ddaw yn lle cyllid yr UE ar ôl Brexit. Mae angen i hyn ystyried yn llawn sut mae budd-ddeiliaid Cymru'n cael mynediad ac yn rhyngweithio ag unrhyw ddulliau polisi dan arweiniad y DU, ac ystyried sut mae ein partneriaethau Datblygu Economaidd Rhanbarthol sy'n datblygu a'r dulliau'n "addas i'r pwrpas" i gystadlu ochr yn ochr â Phartneriaethau Menter Lleol ac Awdurdodau Cyfun yn Lloegr.
17. Hefyd, rydym ar hyn o bryd yn ansicr o oblygiadau unrhyw ddêl Brexit (neu ddiffyg dêl) i'n heconomi ar lefel Macro (lefel DU), a'r dylanwadau yn sgil hynny ar Gymru a'i economïau rhanbarthol. Wrth i drafodaethau ar ddyfodol ein perthynas â'r UE ddatblygu,

<sup>3</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/699106/UK\\_position\\_paper\\_on\\_future\\_of\\_cohesion\\_policy .pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/699106/UK_position_paper_on_future_of_cohesion_policy.pdf)

gallai nifer o wahanol senarios ddatblygu a allai ddylanwadu ar ffurf a natur yr economi ar wahanol lefelau.

18. Felly mae'n hollbwysig bod ymdrech gref, ymroddgar a rhagweithiol gan Lywodraeth Cymru mewn partneriaeth â'i budd-ddeiliaid yng Nghymru i nodi, mapio a chynllunio'r goblygiadau posibl hyn - er mwyn i'r ymatebion polisi yn eu sgil fod yn gydlynol, yn gydgyssylltiedig ac yn addas i'r pwrpas - gan ymateb i'r sefyllfa gyllido ar ôl Brexit.

## **Dulliau gweinyddol ar gyfer yr hyn a fydd yn disodli ffrydiau cyllido'r UE yng Nghymru pan fydd y DU yn gadael yr UE**

19. Yn nhermau cyllid Strwythurol a Gwledig yng Nghymru, mae'r rhain wedi eu rheoli ar lefel genedlaethol gan Lywodraeth Cymru ar gyfer sawl cyfnod rhaglennu, yn unol â'i gallu datganoledig.
20. Mae hyn yn sicrhau bod gan Gymru, a budd-ddeiliaid Cymru lais yn y broses o gynllunio a chyflawni'r ffrydiau cyllido sy'n effeithio ar eu hardaloedd - yn nhrefn pethau trwy egwyddorion gweithio mewn partneriaeth ac is-reolaeth Ewropeaidd.
21. Pe na bai cyllid yn cael ei ddatganoli i lefel Cymru (rheoli ar lefel DU), byddai newidiadau sylweddol yn syth i'r ffordd y mae budd-ddeiliaid Cymru yn draddodiadol wedi ymgysylltu â chael mynediad i'r hyn oedd yn "gyllid yr UE" yn hanesyddol.
22. Pe byddai cyllid yn aros ar lefel y DU, efallai nad cwestiwn o weinyddu ar lefel Cymru fydd yn berthnasol, ond yn hytrach cwestiwn o gydlynu strategol a chefnogaeth i fudd-ddeiliaid Cymru allu cael mynediad i'r cronfeydd hyn, a bod strwythurau cefnogi perthnasol (e.e. partneriaethau rhanbarthol) yn addas i'r diben i hwyluso mynediad, a chystadlu ar "yr un lefel" ag ardaloedd eraill y DU am gyllid.
23. A chymryd y byddai cyllid yn cael ei ddatganoli i Gymru, byddai nifer o ystyriaethau ar gyfer gweinyddu cyllid yn y dyfodol i sicrhau bod dyluniad y rhaglenni'n ystyried yn llawn y drefn lywodraethu sy'n esblygu a'r cyd-destun polisi sy'n gyrru datblygu economaidd yng Nghymru (yn bennaf, y modelau rhanbarthol yn sgil datblygu economaidd trwy Fargenion Dinesig a Thwf).
24. Yr achos ar gyfer cyllid parhaus: Rydym yn gwbl gefnogol i ymdrechion Llywodraeth Cymru i sicrhau nad yw Cymru'n colli allan yn ariannol o ganlyniad i'r penderfyniad i adael yr Undeb Ewropeaidd.

25. Mae Polisi Rhanbarthol yr UE yn bodoli i wella lles economaidd rhanbarthau ac mae'r fframwaith polisi ar lefel Ewropeaidd yn gogwyddo tuag at lefelau cyllido uwch i'r rhanbarthau hynny lle mae lefelau perfformiad economaidd yn gymharol isel. Yng Nghymru, mae hyn wedi sicrhau ein bod, yn draddodiadol, wedi bod yn gymwys i dderbyn y lefelau uchaf o gyllid ar gael. Gan gydnabod maint yr her mewn ymateb i anghenion arbennig a chyfleoedd yr ardaloedd hynny sydd ar ei hôl hi; helpu pobl yn yr ardaloedd hynny i gael hyd i swyddi neu ddatblygu opsiynau lleol ar gyfer gwaith, yn cynnwys seilwaith i wella mynediad a symudiad o fewn yr ardaloedd a nodwyd.
26. Mae Polisi Gwledig yr UE hefyd wedi sicrhau bod cyllid wedi bod ar gael i gefnogi ymyriadau i fynd i'r afael â heriau cymdeithasol, economaidd ac amgylcheddol y mae ardaloedd gwledig yn eu hwynebu. Mae cyllid EAFRD wedi sicrhau bod Cynllun Datblygu Gwledig ar wahân ar gyfer Cymru, sydd wedi'i deilwra i anghenion, heriau a chyfleoedd penodol ardaloedd gwledig yng Nghymru.
27. Dull rhaglennu: Er bod Brexit yn rhoi cyfle i wneud pethau'n well e.e. mae cael gwared ar ffiniau rhaglenni artiffisial yn fodd i ddatblygu ymyriadau sy'n adlewyrchu ardaloedd gweithgar yn economaidd, cael gwared ar ffocws thematig a'r cyfle i ddatblygu neu berchnogi rheolau a rheoliadau sy'n fodd i ddatblygu dull mwy integredig a symlach. Hefyd mae nifer o nodweddion yr hoffem eu cadw, fel y sicrwydd cynllunio yn sgil rhaglenni aml-flwyddyn, yn ogystal â'r egwyddor partneriaeth ac is-reolaeth oedd yn berthnasol wrth gynllunio a chyflawni'r rhaglenni.
28. Yn draddodiadol, mae partneriaid wedi gorfod ymgeisio am ffrydiau cyllido cyfalaf a refeniw ar wahân, wrth gystadlu, gyda phob rhaglen â'i threfniadau rheoli rhaglen ei hun, meini prawf buddsoddi a gwahanol ofynion gweinyddol. Yn anochel mae hyn wedi arwain at fuddsoddi mewn seilos, diffyg integreiddio a'r ffit strategol sydd ei angen i gael effaith ystyrlon ar economi'r rhanbarth.
29. Rydym yn awyddus i weld Cymru'n manteisio'n llawn ar hyn trwy ddatblygu Cronfa Unigol, cyfuno cyfalaf refeniw, a phrosesau llawer symlach i gael mynediad i gyllid, a'i ddarparu.
30. Model datblygu economaidd â ffocws rhanbarthol - cymryd dull economi cyfan: Mae Cymru'n rhanbarth o gyfleoedd ac anghenion gwahanol. Mae'r gwahaniaeth hwn rhwng ein hardaloedd yn mynd y tu hwnt i gategoriâu traddodiadol "gwledig" a "threfol" neu rannu'r economi i sectorau economaidd traddodiadol.

31. Bydd llymder parhaus sy'n effeithio ar ein sefydliadau sector cyhoeddus a goblygiadau posibl Brexit yn effeithio ar ein hardaloedd mewn gwahanol ffyrdd. Bydd angen ymatebion wedi'u teilwra i'r gwahanol heriau a chyfleoedd sy'n sensitif i fethiant y farchnad yn yr ardaloedd penodol hynny - ac yma mae cryfder y dull rhanbarthol. Rhoi ffocws ar anghenion a chyfleoedd penodol pob ardal yn y rhanbarth, wedi'u cyflawni'n lleol fel rhan o strategaeth ranbarthol gydweithredol ehangach o fewn fframwaith polisi cenedlaethol cyffredinol. Fel enghraifft, bydd yr achos busnes i gyflwyno datblygiad safleoedd ac eiddo yn Wrecsam yn wahanol i safleoedd yng Ngwynedd a Môn dyweder. Fodd bynnag, mae pob buddsoddiad yn cyd-fynd ag amcanion polisi cenedlaethol (gallu darparu safleoedd ac eiddo modern i ganiatáu i fusnesau dyfu yn ogystal â denu cyfleoedd buddsoddi). Nodir y rhain ar lefel rhanbarthol a'u blaenoriaethau ar y cyd fel prif ffactor cymhelliant i ysgogi twf busnes trwy ymateb i'r galw; ond yn cael eu darparu'n lleol - yn sensitif i nodweddion economaidd a chymdeithasol yr ardal er mwyn sicrhau buddsoddiadau cynaliadwy sy'n addas i'r pwrpas.
32. Nid yw cydlynu rhanbarthol cadarnach yn golygu newid i fodel darparu uwch na haen ychwanegol o lywodraethu - ond yn hytrach cyfuniad o ddulliau newydd a datganoli i gyflawni blaenoriaethau a chyfleoedd rhanbarthol o fewn fframwaith polisi cenedlaethol cyffredinol trwy gyflawni'n lleol.
33. Mae gan bartneriaethau a budd-ddeiliaid lleol rôl hollbwysig i nodi'r gwahaniaethau o ran angen a chyfle, yn sensitif i gymhlethdodau lle ac ardaloedd ar draws y rhanbarth. Mae nifer fawr o strwythurau cyflawni a phartneriaethau wedi'u datblygu i helpu i ddarparu rhaglenni Strwythurol a Gwledig Ewropeaidd - yn benodol mewn ymateb i anghenion penodol grwpiau poblogaeth neu ardaloedd daearyddol penodol (e.e. grwpiau LEADER trwy'r Rhaglen Datblygu Gwledig neu rwydweithiau/modelau cyflawni penodol sy'n targedu pobl ymhellach i ffwrdd o'r farchnad lafur). O safbwynt hyn, dylid gwneud pwynt ychwanegol o ran y rôl y mae LEADER wedi'i chwarae i hwyluso'r broses o dreialu cysyniadau arloesol/cynigion mewn risg. Mae hyn wedi bod yn fodd i gyflwyno nifer o brosiectau treialu/peilot sydd ers hynny wedi symud ymlaen i brif ffynonellau cyllido neu eraill.

## **Casgliad**

34. Mae buddsoddi mewn polisi rhanbarthol i'r dyfodol yn hanfodol os yw rhanbarthau Cymru am ddal i fyny a chystadlu ar lefel-DU heb sôn am ar lefel Ewropeaidd neu ryngwladol ar ôl Brexit. Dylai lefelau cyllido gyfateb i raddfa ac uchelgais ymyriadau wedi'u blaenoriaethu'n rhanbarthol i sicrhau bod y lefel cywir o fuddsoddiad yn mynd i'r

afael â'r ymyriadau priodol. Felly mae'n hanfodol bod polisi gwledig a rhanbarthol yn y dyfodol yn cyd-fynd â'r model datblygu â ffocws economaidd, gan gymryd "dull economi cyfan" i sicrhau ein bod yn buddsoddi yn y blaenoriaethau cywir yn yr ardaloedd cywir, trwy'r modelau cyflawni/partneriaid mwyaf priodol - gan ategu ac integreiddio ffrydiau cyllido domestig eraill a phrif ddatblygiadau i sicrhau twf cynhwysol. Mae'n hanfodol bod cynllunio economaidd a buddsoddi'n cael eu cyd-gynllunio a'u cytuno ar y cyd gan gyrff rhanbarthol a llywodraeth genedlaethol, gan ystyried y realiti o sut mae economïau rhanbarthol yn gweithio mewn gwirionedd; fel arall ni fydd y potensial o gyllid yn lle cyllid yr UE wedi'i weinyddu gan Gymru, na chael mynediad i Strategaethau Diwydiannol Lleol dan arweiniad y DU fyth yn cael ei wireddu.

### **Am wybodaeth bellach cysylltwch â:**

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11 Mai 2018

Cyf: CR/sf

Annwyl Mr Thomas

**Parthed: Ymchwiliad i'r paratodau ar gyfer yr hyn a fydd yn disodli ffrydiau cyllido'r UE yng Nghymru**

Ar ran Prifysgol Caerdydd, isod ceir ymateb i [ymchwiliad](#) y Pwyllgor Cyllid i'r paratodau ar gyfer yr hyn a fydd yn disodli ffrydiau cyllido'r UE yng Nghymru.

Mae Prifysgol Caerdydd yn brifysgol uchelgeisiol ac arloesol a chanddi weledigaeth feiddgar a strategol, sydd wedi'i lleoli mewn prifddinas hardd a ffyniannus. Daeth ein gwaith ymchwil rhagorol yn 5ed am ansawdd ac yn 2il am effaith ymysg prifysgolion y DU yn Fframwaith Rhagoriaeth Ymchwil (REF) 2014. Rydym yn cynnig profiad addysgol rhagorol i'n myfyrwyr. Drwy roi pwyslais ar greadigrwydd a chwilfrydedd, ein nod yw cyflawni ein rhwymedigaethau cymdeithasol, diwylliannol ac economaidd i Gaerdydd, Cymru, a'r byd.

Ein huchelgais yw bod ymhlith y 100 o brifysgolion gorau'r byd a'r 20 uchaf yn y DU. Mae ein [strategaeth newydd](#) yn amlinellu ein cyfeiriad strategol a'n pwyslais ar ymchwil, addysg a myfyrwyr, rhyngwladol a'n cenhadaeth ddinesig.

Mae 31,595 o fyfyrwyr wedi cofrestru gyda ni, sy'n hanner o dros 130 o wledydd, gan gynnwys yr UE. Mae gennym gymuned ymchwil sy'n arwain y byd gyda sylfaen ymchwil gref ac eang: rydym wedi ennill contractau ymchwil â'u gwerth dros £530m. Rydym wedi ennill saith o Wobrau Pen-blwydd y Frenhines ac mae dau o enillwyr gwobrau Nobel ymhlith ein hymchwilwyr.

Dros y misoedd diwethaf mae cydweithwyr a fi wedi darllen papurau Brexit Llywodraeth Cymru ar bolisi masnach a buddsoddi rhanbarthol â diddordeb. Rwyf i'n croesawu ymgysylltu rhagweithiol Llywodraeth Cymru gyda rhai o'r heriau mawr sy'n wynebu ein heconomi yng ngoleuni'r penderfyniad i adael yr Undeb Ewropeaidd.



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## Trosolwg

Bydd cymorth ar gyfer addysg uwch yn hanfodol os yw Cymru a'r Deyrnas Unedig i sicrhau llwyddiant yn sgil Brexit. Drwy sicrhau setliad effeithiol ôl-Brexit, gall prifysgolion barhau i wneud cyfraniad hanfodol i wlad lwyddiannus sy'n ddeinamig ac yn gystadleuol yn rhyngwladol, a pharhau i ddenu doniau rhyngwladol.

Mae Prifysgol Caerdydd yn sbardun allweddol ar gyfer ffyniant economaidd a chymdeithasol yng Nghymru. Rydym yn brifysgol fyd-eang sy'n edrych tuag allan gyda chysylltiadau â thros 100 o wledydd, yn ogystal ag ymdeimlad cryf o genhadaeth ddinesig. Canfu adroddiad gan London Economics<sup>1</sup> yn 2016 fod Prifysgol Caerdydd yn cyfrannu bron i £3bn i economi'r DU, a bod y Brifysgol wedi gwneud cyfraniad o tua £2.2bn i economi Cymru yn 2014-15. Mae Caerdydd yn cynhyrchu £6.36 am bob £1 y mae'n ei gwario, ac roedd yn un o'r pum prifysgol ar y brig yn Fframwaith Rhagoriaeth Ymchwil 2014. Mae ein gwaith ymchwil yn mynd i'r afael â heriau o arwyddocâd byd-eang tra bod ein myfyrwyr yn cael profiad myfyriwr sy'n sgorio ymhlith y gorau yn y Deyrnas Unedig.

Er ein bod yn croesawu'r cynnydd hyd a wnaed hyd yma gan Lywodraeth y DU ar y fargen trawsnewid, mae llawer yn dal i fod ar ôl heb ei drafod. Bydd y trafodaethau hynny'n gymhleth ac mae posibilrwydd cryf y bydd unrhyw gytundeb ar Horizon 2020 ac Erasmus+ yn dibynnu ar ddod i gytundeb boddhaol ynghylch materion eraill fel rhan o becyn, a allai achosi oedi fydd yn ein rhoi dan bwysau amser unwaith eto cyn y bydd Prydain yn ymadael yn gyfan gwbl yn 2021. Mae gwir angen i'r sector prifysgolion ddatrys materion o'r fath o leiaf 18 mis ymlaen llaw - hynny yw, erbyn canol 2019 fan bellaf - er mwyn osgoi newid sydyn, neu o leiaf bwlch rhwng diwedd Horizon 2020 ac Erasmus+ a'r rhaglenni a ddaw ar eu hôl. Byddai bwlch o'r fath yn anodd ac ni fyddai'n sefyllfa ddelfrydol, a gallai olygu y byddem yn ei chael hi'n anodd ymgysylltu'n ddigonol â rhaglenni olynol pan fydd gennym fynediad atynt. Ar ben hynny, mae materion cysylltiedig fel treialon clinigol a'r fframwaith diogelu data, a allai gael effaith go iawn ar ymchwil. Ceir ewyllys da ar y ddwy ochr i fynd i'r afael â'r holl gwestiynau hyn a'u datrys, a bydd gennym ddigon o amser i wneud hynny yn ôl pob golwg. Fodd bynnag, mae llawer yn dibynnu ar ddatrys y problemau mawr yn ystod y chwe mis nesaf.

Mae'r ymateb isod yn cwmpasu'r meysydd canlynol:

- 1) Argymhellion ymchwiliad y Pwyllgor Materion Allanol
- 2) Eglurhad ar frys ynghylch disodli Cronfeydd Strwythurol a Buddsoddi Ewrop (ESIF)
- 3) Arian ar gyfer ymchwil, cydweithredu a rhwydweithiau
- 4) Statws myfyrwyr a staff o'r UE
- 5) Erasmus+ a Symudedd myfyrwyr
- 6) Bargeinion Dinas-Ranbarth Caerdydd

## Argymhellion ymchwiliad y Pwyllgor Materion Allanol

Nodwn adroddiad diweddar<sup>2</sup> y Pwyllgor Materion Allanol i berthynas Cymru yn y dyfodol gyda'r UE, a chroesawn y canfyddiadau canlynol yn gryf:

- **Argymhelliad 6** Argymhellwn fod Llywodraeth Cymru'n ceisio eglurder gan Lywodraeth y DU ar yr amserlenni ar gyfer symud i system fewnfudo yn y dyfodol ar y cyfle cyntaf er mwyn rhoi'r sicrwydd sydd ei angen ar fusnesau a chyrff sector cyhoeddus ynghylch ystyriaethau recriwtio y gallent eu hwynebu yn y dyfodol.

<sup>1</sup> London Economics (2016) [The economic and social impact of Cardiff University: 2014-15 update](#), Llundain: London Economics.

Cynulliad Cenedlaethol Cymru: Y Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol (2018) [Perthynas Cymru ag Ewrop yn y dyfodol: Rhan un: safbwynt o Gymru](#), Caerdydd: Cynulliad Cenedlaethol Cymru.

- **Argymhelliad 10** Os na cheir cytundeb ar Horizon 2020 ac unrhyw raglenni fydd yn ei holynu rhwng Llywodraeth y DU a'r UE, argymhellwn fod Llywodraeth Cymru yn edrych ar ffyrdd y gallai barhau i ddarparu cymorth i sefydliadau Cymru allu cydweithio gyda chymheiriaid Ewropeaidd ar ôl Brexit.
- **Argymhelliad 11** Argymhellwn fod Llywodraeth Cymru'n edrych ar y potensial ar gyfer rhaglen symudedd myfyrwyr rhyngwladol newydd ar ôl Brexit, a'i bod yn adrodd yn ôl i'r Pwyllgor o fewn chwe mis.
- **Argymhelliad 12** Argymhellwn fod Llywodraeth Cymru'n mapio holl rwydweithiau presennol yr UE, ar draws pob sector, sydd â sefydliadau Cymreig yn cyfranogi ynddynt. Dylid cyhoeddi canlyniadau'r ymarfer mapio hwn erbyn mis Mehefin 2018.
- **Argymhelliad 13** Yn dilyn cyhoeddi canlyniadau'r ymarfer mapio hwn, dylai Llywodraeth Cymru ymgynghori gyda rhanddeiliaid ar bwysigrwydd y gwahanol rwydweithiau hyn, eu manteision i Gymru a pha rwydweithiau y dylid eu blaenoriaethu ar gyfer mynediad ar ôl Brexit. Dylid cwblhau'r ymgynghoriad erbyn hydref 2018.
- **Argymhelliad 14** Argymhellwn, ar sail canlyniadau'r ymgynghoriad, y dylai Llywodraeth Cymru baratoi cynlluniau ar gyfer buddsoddi mewn cyfranogiad Cymreig yn y rhwydweithiau hyn, ac ystyried y cyfleoedd cyllido a'r goblygiadau i gymdeithas sifil Cymru er mwyn parhau i gydweithio gyda phartneriaid mewn rhwydweithiau allweddol
- **Argymhelliad 17** Argymhellwn fod Llywodraeth Cymru'n archwilio cyfleoedd i gyrrff llywodraethol ac anllywodraethol yng Nghymru allu ymgysylltu'n effeithiol gyda'r UE a'i sefydliadau ar ôl Brexit.

Anogwn y Pwyllgor Cyllid yn gryf i ystyried cadarnhau ac ehangu'r argymhellion hyn fel rhan o'ch ymchwiliad eich hun.

### **Eglurhad ar frys ynghylch disodli Cronfeydd Strwythurol a Buddsoddi Ewrop (ESIF)**

Mae Cymru'n cael yn agos i **£2 biliwn mewn cyllid polisi rhanbarthol**, a defnyddir yr arian hwn i gynnal datblygiad economaidd yn rhai o'n hardaloedd tlotaf. Mae'r bleidlais i'r Deyrnas Unedig adael yr Undeb Ewropeaidd wedi gadael ansicrwydd ynghylch rhaglenni yn y dyfodol sy'n cynnwys arian Ewropeaidd.

Mae Prifysgolion yng Nghymru yn derbyn cyllid sylweddol o Gronfeydd Strwythurol Ewrop<sup>3</sup>, ac mae hynny'n parhau i ddarparu buddsoddiad a chyllid hanfodol ar gyfer prosiectau a seilwaith sy'n cyfrannu at dwf economaidd a chymdeithasol yng Nghymru. Mae Cronfeydd Strwythurol a Buddsoddi Ewrop hefyd wedi chwarae rôl bwysig o ran arian arloesedd yng Nghymru<sup>4</sup>, a buddsoddiad preifat mewn ymchwil a datblygiad. Ymchwil ac arloesedd o ansawdd uchel yw conglfeini economi twf, ac mae manteision yn deillio ohonynt ar gyfer holl gymunedau Cymru.

Ceisir eglurhad brys ynghylch sut bydd y cronfeydd hyn yn cael eu cynnal neu eu disodli ar lefel ddatganoledig wedi i'r Deyrnas Unedig adael yr Undeb Ewropeaidd fel bod modd i brifysgolion Cymru barhau i gael cymaint o effaith economaidd a chymdeithasol â phosibl mewn cymunedau ledled Cymru.

<sup>3</sup> Mae tua £240 miliwn wedi'i ddyfarnu hyd yma i brifysgolion Cymru ar gyfer cyfnod 2014-2020, yn ôl [rhestr o Brosiectau Cymeradwy 2014-2020](#) Llywodraeth Cymru

<sup>4</sup> Mae Cronfa Arloesedd Addysg Uwch (HEIF) yn sbardun allweddol ar gyfer gweithgaredd arloesedd yn Lloegr, ac mae'r Gronfa Arloesedd Prifysgol (UIF) yn cyflawni rôl debyg yn yr Alban. Nid oes cronfa gyfatebol yng Nghymru. Ar hyn o bryd mae £160m o arian arloesedd yn cael ei ddarparu yn Lloegr, ac yn ddiweddar ychwanegwyd £160m arall at hynny ar gyfer cyfnewid gwybodaeth.

Os bydd y Deyrnas Unedig yn dymuno sefydlu cronfa datblygu rhanbarthol newydd, megis Cronfa Ffyniant a Rennir y Deyrnas Unedig yn lle ESIF, mae'n hanfodol ei bod yn dyrannu cyllid yn briodol ac ar sail system debyg, seiliedig ar anghenion, os ydyw i helpu i gadw'r ddysgl yn wastad o ran yr economi.

### **Arian ar gyfer ymchwil, cydweithredu a rhwydweithiau**

Ceisir sicrwydd ynghylch mynediad parhaus y Deyrnas Unedig i Horizon 2020 a rhaglenni ymchwil ac arloesedd yr UE yn y dyfodol sy'n canolbwyntio ar ragoriaeth, gan gynnwys FP9, a'r gallu i ddylanwadu arnynt. Os na fydd mynediad o'r fath yn bosibl, rhaid sicrhau cynllun arall fydd yn cynnal ymchwil ryngwladol ar y cyd.

Mae Prifysgol Caerdydd o'r farn bod angen cadw lefel gyffredinol y gwariant ar ymchwil a datblygu fel y mae ar hyn o bryd o leiaf i ddiogelu adnoddau ymchwil a gwyddoniaeth y Deyrnas Unedig, ac i gynnal safle'r Deyrnas Unedig fel un o arweinwyr y byd yn y maes hwn. Mae ymchwil ac arloesedd yn digwydd ar draws y byd, ac yn dibynnu ar syniadau a phobl sy'n gallu symud ar draws ffiniau. Nid yr arian a ddarperir gan yr UE yn unig sydd dan sylw yma, ond hefyd y rhwydweithiau a'r cyfleusterau sydd ar gael i ymchwilwyr. Mae parhau i gydweithio mewn rhwydweithiau rhyngwladol yn hanfodol bwysig os yw'r Deyrnas Unedig i gynnal ei statws fel arweinydd ym myd gwyddoniaeth a thechnoleg, a datblygu diwylliant o arloesedd.

Os bydd Llywodraeth y Deyrnas Unedig yn sicrhau mynediad parhaus at Horizon 2020 a rhaglenni ymchwil ac arloesedd yr UE yn y dyfodol, megis Rhaglen y 9fed Fframwaith (FP9), bydd yn bwysig sicrhau ein bod yn gallu parhau i ddylanwadu ar y rhaglen ymchwil a'r mecanweithiau ariannu.

Os na all Llywodraeth y Deyrnas Unedig sicrhau mynediad parhaus, dylai'r llywodraeth sicrhau darpariaeth ar ffurf cyfraniadau uwch i'r gyllideb wyddoniaeth ac ymchwil genedlaethol sy'n cyfateb i'r swm a sicrhawyd trwy Horizon 2020, gan gydnabod bod y Deyrnas Unedig yn un o fuddiolwyr net presennol rhaglenni ymchwil yr UE. Dylai'r Llywodraeth ystyried ychwanegu at fecanweithiau sydd eisoes yn bodoli, megis Cronfa Ymchwil Heriau Byd-eang a Chronfa Newton, sydd wedi'u targedu.

Os na fydd y Deyrnas Unedig bellach yn rhan o fecanweithiau Ewropeaidd ar gyfer ariannu ymchwil ar ôl Brexit, dylai'r Llywodraeth ofyn i Ymchwil ac Arloesedd y Deyrnas Unedig (UKRI) awgrymu mecanweithiau eraill, megis Cyngor Ymchwil Rhyngwladol mewn partneriaeth â gwledydd blaenllaw eraill sydd â sylfaen wyddoniaeth uwch ddatblygedig.

Os na ellir sicrhau mynediad digonol at arian, neu os na ellir cael hyd i gyllid hirdymor arall, byddwn nid yn unig yn colli ffrwd ariannu fawr ac unigryw, ond hefyd y cyfleoedd i gymryd rhan mewn mentrau ymchwil cydweithredol rhyngwladol, sydd yr un mor bwysig. Mae cydweithio o'r fath yn elfen hanfodol o wyddoniaeth ragorol, a gallai unrhyw leihad yn hyn achosi niwed parhaol i ymdrechion ymchwil y Deyrnas Unedig.

Cyfanswm gwerth yr incwm ymchwil yn y dyfodol i Brifysgol Caerdydd o brosiectau byw FP7 a Horizon 2020 a ddyfarnwyd hyd at 30 Ebrill 2017 yw £26.9m, ac mae ceisiadau pellach gwerth £18m i Horizon 2020 ar y gweill. Mae prosiectau ERDF yn werth £39m ychwanegol gyda £7.5m o brosiectau eraill yn disgwyl am gontract. Ar hyn o bryd amcangyfrifir bod £10 miliwn arall o arian grant yng nghamau cynnar cynllunio busnes. Un derbynydd sylweddol o'r arian hwn yw Canolfan Delweddu Ymchwil yr Ymennydd Prifysgol

Caerdydd. Mae ein mentrau eraill ar y cyd sy'n cael eu harwain gan yr UE yn cefnogi ein hymchwilyr mewn mwy na 80 o brosiectau Horizon 2020. Ynghyd â'n brosiectau FP7 sy'n weddill, mae'r rhain yn cwmpasu pynciau sy'n amrywio o ddatblygu'r genhedlaeth nesaf o gysylltedd ynni adnewyddadwy i ymchwilio i ddiabetes.

### Statws myfyrwyr a staff o'r UE

Mae'n bwysig cadw niferoedd myfyrwyr o'r UE yn uchel yng Nghymru, nid yn unig er mwyn prifysgolion Cymru, lle maent yn cyfrif am 4 y cant o'r holl fyfyrwyr, ond hefyd oherwydd eu bod yn dod ag amrywiaeth i'n corff myfyrwyr ac yn cefnogi'r economi leol. Canfu adroddiad diweddar<sup>5</sup> gan Prifysgolion Cymru y canlynol:

- Cynhyrchodd gwariant myfyrwyr o weddill yr UE oddi ar y campws dros £110 miliwn o allbwn yn y DU (gyda £83 miliwn yng Nghymru).
- Cynhyrchwyd cyfwerth â 934 o swyddi amser llawn yn y DU (692 yng Nghymru).
- Cynhyrchodd myfyrwyr yr UE dros £51 miliwn o Werth Ychwanegol Gros y DU (£37 miliwn yng Nghymru).

Ym Mhrifysgol Caerdydd, mae 16% o'n staff academiaidd a 5% o'n myfyrwyr yn wladolion yr UE (mae 10% o'n myfyrwyr ymchwil yn wladolion yr UE). Cyfrannodd ein myfyrwyr rhyngwladol £217m i'r economi yn 2014/15<sup>6</sup>. Maent yn ased hirdymor i bartneriaethau diwylliannol a masnachol y Deyrnas Unedig. Nid yw llawer o'r cyhoedd yn gweld myfyrwyr fel mudwyr<sup>7</sup>, ac nid yw polisi o dorri'n ôl ar y myfyrwyr rhyngwladol er mwyn lleihau lefelau mudo net, felly, yn ymateb i'r pryder ynghylch mewnfudwyr.

Heb weithredu lliniarol fel ysgoloriaeth neu fwrsariaeth yr UE, mae Prifysgol Caerdydd yn bryderus y gallai'r senario waethaf olygu bod Cymru'n colli 80-90 y cant o'i myfyrwyr israddedig presennol o'r UE.

Nodwn gyhoeddiad diweddar y Prif Weinidog<sup>8</sup> ynghylch Cronfa Bontio'r UE £50m i gynnig "cyfuniad o gymorth ariannol a benthyciadau ac yn cefnogi'r gwaith o ddarparu cyngor i fusnesau. Bydd hyn yn cynnwys cyngor technegol a masnachol, cyngor ar allforio a chyngor sy'n benodol ar gyfer sectorau." Yn ogystal, bydd y gronfa yn helpu "cyflogwyr i gadw a pharhau i ddenu dinasyddion yr UE sy'n gwneud cyfraniad hanfodol i Gymru". Credwn fod achos cryf ar i Lywodraeth Cymru ddarparu cymorth penodol ar ffurf bwrsariaethau neu ysgoloriaethau i fyfyrwyr israddedig, ôl-raddedig ac ymchwil o'r UE ar ôl Brexit.

- O ran myfyrwyr israddedig ar ôl Brexit, mae myfyrwyr o'r UE yn debygol o gollu mynediad at y cwmni benthyciadau myfyrwyr gan wynebu codiad sydyn mewn ffioedd oherwydd y cânt eu cyfrif yn fyfyrwyr rhyngwladol. Ar hyn o bryd, mae o ddeutu 90 y cant o fyfyrwyr israddedig o'r UE sy'n ymgeisio i astudio mewn prifysgol yng Nghymru'n gymwys i gael benthyciad. Yn ogystal, dan y pecyn Diamond sy'n cael ei gyflwyno ar gyfer newydd-ddyfodiaid yn 2018/19, nid yw myfyrwyr o'r UE bellach yn gymwys am grant ffioedd dysgu i liniaru cost eu ffioedd (mae hyn werth £4,954 i fyfyrwyr sy'n parhau) ac nid

<sup>5</sup> Prifysgolion Cymru (2018) [The Economic Impact of Higher Education in Wales](#), Caerdydd: Prifysgolion Cymru.

<sup>6</sup> London Economics (2016) [The economic and social impact of Cardiff University: 2014-15 update](#), Llundain: London Economics.

<sup>7</sup> ComRes (2017) [Pôl UUK ar ganfyddiadau'r cyhoedd ym Mhrydain o fyfyrwyr rhyngwladol](#), Llundain: ComRes.

<sup>8</sup> Llywodraeth Cymru (2018) [Cronfa £50m i helpu Cymru i baratoi ar gyfer Brexit](#), Cymru: Llywodraeth Cymru

ydnt chwaith yn gymwys am y grantiau cynhaliaeth a modd prawf sydd ar gael i fyfyrwyr sy'n hanu o Gymru. O ganlyniad bydd rhaid iddynt dalu'r ffioedd llawn o £9,000 am y tro cyntaf yn 2018/19 er y byddant yn dal i fod yn gymwys am fenthyciad drwy'r Cwmni Benthyciadau Myfyrwyr i dalu eu ffioedd tra bo'r DU yn parhau yn yr UE.

Mae ceisiadau israddedig gan fyfyrwyr o'r UE i brifysgolion Cymru wedi dechrau cwmpo ar ôl cyrraedd brig o 8,000 yn 2016. Ar gyfer mynediad yn 2017, ymgeisiodd 7,580 o fyfyrwyr o'r UE i astudio mewn prifysgol yng Nghymru. Roedd hyn yn gwmp o 420 o fyfyrwyr neu 5.3% ers 2016. Mae hyn yn cyferbynnu â ffigurau'r DU, lle ar ôl cael cwmp yn nifer y ceisiadau yn 2017, mae'n ymddangos bod y niferoedd wedi codi yn 2018.<sup>9</sup> Ar gyfer mynediad yn 2017 cwmpodd y nifer o fyfyrwyr yr UE a ymgeisiodd i brifysgolion yn y DU 7 y cant, y cwmp cyntaf ers yn agos i ddegawd.

Mae'r Alban eisoes wedi estyn ei hadduned o addysg prifysgol am ddim i fyfyrwyr yr UE i garfan 2019-20. Cyhoeddwyd y penderfyniad ar 1 Chwefror. Roedd yr Alban yn gallu gwneud hyn gan fod ganddi ei threfniadau ei hun, ar wahân i'r Cwmni Benthyciadau Myfyrwyr sy'n cwmpasu Cymru, Lloegr a Gogledd Iwerddon.

- O ran **ôl-raddedigion ar ôl Brexit**, mae hwn hefyd yn faes sy'n newid o ganlyniad i fesurau Diamond. Erbyn 2019/20, bydd y pecyn Diamond llawn wedi'i gyflwyno. Bydd myfyrwyr ôl-raddedig sydd fel arfer yn preswyllo yng Nghymru'n gymwys am grant o £1,000 ac yna hyd at £17,000 naill ai mewn grant neu fenthyciad - gan ddibynnu ar brawf modd. Nid yw'r manylion llawn ar gael eto, ond mae i fod yr un peth ag ar gyfer israddedigion, h.y. £9k (ffi dybiannol) o fenthyciad + £1k o grant + £8k (cynhaliaeth dybiannol) o fenthyciad/grant. Nid yw'n glir eto a fyddai myfyrwyr yr UE yn gymwys i dderbyn y grantiau cynhaliaeth dybiannol. Nid yw myfyrwyr israddedig yn derbyn grantiau cynhaliaeth ond mae'n anoddach i fyfyrwyr ôl-raddedig a addysgir sydd wedi bod yn byw yng Nghymru/y DU ers tair blynedd.

Caiff y trefniadau eu gweinyddu gan Cyllid Myfyrwyr Cymru ar ran y Cwmni Benthyciadau Myfyrwyr. Ar ôl Brexit, bydd myfyrwyr yr UE yn colli mynediad at y Cwmni Benthyciadau Myfyrwyr sy'n golygu y bydd rhaid iddynt ddod o hyd i'w costau byw a'u ffioedd eu hunain heb ddim o'r cymorth maent yn ei gael gan Lywodraeth Cymru ar hyn o bryd.

### Erasmus+ a Symudedd myfyrwyr

Mae angen sicrwydd cynnar ynghylch mynediad parhaus i Erasmus+, ond os bydd hynny'n amhosibl neu'n rhywbeth na ddymunir, rhaid sicrhau cynllun amnewid i Gymru neu'r Deyrnas Unedig a fydd yn caniatáu i'n myfyrwyr astudio, gweithio a gwirfoddoli dramor.

Yn 2015-16, roedd 18% o fyfyrwyr israddedig cartref Prifysgol Caerdydd yn symudol yn rhyngwladol<sup>10</sup>. Bu llawer o'r rhain yn cymryd rhan yn y rhaglen Erasmus+, a oedd yn helpu i wella datblygiad personol myfyrwyr, eu dealltwriaeth ryng-ddiwylliannol, a'u galluedd

<sup>9</sup> Busby, E. (2018) "[Number of EU students applying to UK universities surges despite Brexit fears](#)", *Independent*, 5 Chwefror 2018.

<sup>10</sup> Rydym wedi diffinio symudol yn rhyngwladol fel myfyrwyr cartref sydd wedi astudio, gweithio neu wirfoddoli dramor am o leiaf un mis yn ystod eu cyfnod yng Nghaerdydd.

ieithyddol, yn ogystal â datblygu llawer o'r sgiliau trosglwyddadwy y mae cyflogwyr yn chwilio amdanynt.

Credwn fod Brexit yn cynnig cyfle i greu rhaglen symudedd allanol ryngwladol newydd a allai efelychu ac efallai wella elfennau mwyaf llwyddiannus Erasmus+. Byddai hyn yn caniatáu i brifysgolion barhau â'u cydweithio gwerthfawr â phartneriaid yn yr UE a chefnogi cyfnodau gorfodol dramor ar gyfer myfyrwyr ieithoedd modern, yn ogystal â chefnogi'r broses ehangach o ryngwladoli addysg yng Nghymru a'r Deyrnas Unedig.

### **Bargeinion Dinas-Ranbarth Caerdydd**

Mae angen cael sicrwydd gan Lywodraeth Cymru a'r Deyrnas Unedig ynghylch elfen ariannu UE Bargaen Ddinesig Caerdydd, yn benodol y £106m a ddyrannwyd ar gyfer datblygu Metro Prifddinas-ranbarth Caerdydd o Gronfa Datblygu Rhanbarthol Ewrop.

Mae Prifysgol Caerdydd yn rhan o Fargaen Ddinesig Prifddinas-ranbarth Caerdydd, cytundeb gwerth £1.2bn gan Lywodraeth y Deyrnas Unedig, Llywodraeth Cymru a'r 10 awdurdod lleol yn ne-ddwyrain Cymru. Mae'n ceisio gwella cynhyrchiant a sbarduno arloesi. Mae'n disgwyl creu 25,000 o swyddi ar draws y rhanbarth a denu gwerth £4bn o fuddsoddiad sector preifat.

Croesawyd yr ymrwymiad ar y cyd gan Ysgrifennydd Gwladol Cymru a'r Cabinet ar y Cyd ar gyfer Bargaen Ddinesig Prifddinas-ranbarth Caerdydd i sicrhau bod y rhaglen ar gyfer y rhanbarth yn cael ei darparu'n llwyddiannus ac yn llawn. Mae Llywodraeth y Deyrnas Unedig eisoes wedi cyhoeddi buddsoddiad o £50m i helpu i ddatblygu technoleg lled-ddargludyddion cyfansawdd (CS) y dyfodol fel rhan o fuddsoddiad Bargaen Ddinesig Llywodraeth y Deyrnas Unedig. Bydd y Brifysgol a chwmini IQE yng Nghaerdydd, sy'n arbenigo mewn lled-ddargludyddion cyfansawdd, yn arwain 'catapwlt' cenedlaethol y Deyrnas Unedig. Yn ddiweddar mae'r 10 cyngor wedi cytuno ar fuddsoddiad o £38m mewn ffowndri newydd â'r holl gyfleusterau modern ar gyfer technolegau CS, gan gefnogi ymhellach ddatblygiad clwstwr CS yng Nghymru.

Mae disgwyl i gyfranogiad y Brifysgol fod yn llawer ehangach na hynny. Mae'r Fargaen Ddinesig yn rhagweld potensial buddsoddi mewn meysydd eraill lle gall y Brifysgol gynnig arbenigedd, megis datblygu meddalwedd a seiberddiogelwch, arloesedd ym maes gwasanaethau cyhoeddus, ynni ac adnoddau, y sector creadigol, iechyd a llesiant, a datblygu Prifddinas-ranbarth Caerdydd.

Rydym yn ceisio sicrwydd, felly, gan Lywodraeth Cymru a Llywodraeth y Deyrnas Unedig ynghylch statws cydran arian UE y Fargaen Ddinesig, yn benodol y cyllid ERDF mewn prosiectau sydd yn yr arfaeth, sy'n cynnwys cyllid cymeradwy ar gyfer buddsoddi mewn lled-ddargludyddion cyfansawdd a chymorth busnes, a dyrannu'r £106m cytunedig ar gyfer datblygu Metro Prifddinas-ranbarth Caerdydd o'r ERDF.


### **Casgliad**

Mae Prifysgol Caerdydd yn ymroddedig i weithio gyda phartneriaid i gael hyd i'r llwybr gorau i Gymru a gweddill y wlad wrth i'r Deyrnas Unedig adael yr Undeb Ewropeaidd.

Er gwaethaf yr heriau a ddaw yn sgil y bleidlais i adael yr UE, rydym wedi ymrwymo i ddod o hyd i gyfleoedd yn y cyd-destun rhyngwladol newydd. Rydym am barhau i ffurfio trefniadau cydweithredol cynhyrchiol ledled Ewrop a gweddill y byd.

Edrychaf ymlaen at weld adroddiad terfynol y Pwyllgor, a byddwn yn fwy na hapus i gyfrannu at unrhyw drafodaethau y gallech fod yn eu cynnal ar y pwyntiau a godir uchod. Cysylltwch â mi ar bob cyfrif os oes angen unrhyw wybodaeth arall arnoch.

Yn gywir,

A handwritten signature in black ink, appearing to read 'Colin Riordan'.

Yr Athro Colin Riordan  
Is-Ganghellor





## YMCHWILIAD I'R PARATOADAU AR GYFER YR HYN A FYDD YN DISODLI FFRYDIAU CYLLIDO'R UNDEB EWROPEAIDD YNG NGHYMRU

Mae'r tri Awdurdod Parc Cenedlaethol Cymru yn gweithio mewn partneriaeth fel Parciau Cenedlaethol Cymru (PCC) i hyrwyddo dibenion a buddiannau'r tri Parc Cenedlaethol, Bannau Brycheiniog, Arfordir Penfro ac Eryri.

Mae Deddf yr Amgylchedd 1995 yn pennu dau ddiben statudol ar gyfer Parciau Cenedlaethol:

- Gwarchod a gwell harddwch naturiol, bywyd gwylt a threftadaeth ddiwylliannol;
- Hyrwyddo cyfleoedd i ddeall a mwynhau priodweddau arbennig Parciau Cenedlaethol gan y Cyhoedd

Pan fydd Parciau Cenedlaethol yn cyflawni'r dibenion hyn, mae ganddynt ddyletswydd hefyd i geisio meithrin lles economaidd a chymdeithasol cymunedau lleol o fewn y Parciau Cenedlaethol.

Mae PCC yn croesawu'r cyfle hwn i roi sylwadau ar yr ymgynghoriad. Er nad oes efallai gan PCC brofiad uniongyrchol sylweddol o beirianwaith ffrydiau ariannu'r Undeb Ewropeaidd (UE) a'u gweinyddiad, cafodd polisi a chefnogaeth ariannol yr UE effeithiau negyddol a chadarnhaol ar diriogaethau'r tri Pharc.

Daeth rhai buddion sylweddol yn ystod y degawdau diwethaf oddi wrth gefnogaeth yr UE i Barciau Cenedlaethol e.e. esblygiad Llwybr Arfordir Cymru, adeilad newydd ar gopa'r Wyddfa, gwelliannau mewn cyfleusterau hamdden a thwristiaeth, prosiectau sydd wedi cyflawni gwaith bioamrywiaeth a defnydd tir cynaliadwy. Mae'r holl brosiectau hyn wedi cyfrannu at gynnal beth sy'n gwneud Parciau Cenedlaethol yn arbennig ac wedi cyfrannu at economi ein hardaloedd a lles ein cymunedau.

### CYNLLUNIO AR GYFER DARPARIAETH I GYMRYD LLE'R FFRYDIAU CYLLIDO:

Mae Ysgrifennydd y Cabinet gyda chyfrifoldeb am BREXIT wedi sefydlu grŵp tasg i ystyried hyn, ac rydym ni'n cefnogi'r egwyddor o sefydlu'r fath grŵp. O'n profiad ni ac o'n hymwneud ni, mae gwybodaeth a ddarperir yn caniatáu i randdeiliaid fesur maint y newid posibl, sy'n werthfawr wrth ystyried sefyllfaoedd mewn perthynas â lefel yr ariannu a chyfrifoldeb gweinyddol. Mae PCC yn siomedig na fu unrhyw gyfleoedd i ymwneud gyda'r grŵp reolaeth tir, un y gellid ei ddadlau yw'r grŵp pwysicaf o ran ardaloedd fel Parciau Cenedlaethol, lle byddai profiad a gwybodaeth y tri chorff hyn yn ychwanegu gwerth. Mae maint yr ariannu, neu faterion posibl o ran ariannu, yn cael ei ddangos ac mae hynny'n darparu gwybodaeth ar gyfer trafodaethau tu mewn i Gymru ac ar lefel y Deyrnas Unedig rhwng y gweinyddiaethau datganoledig.





## **GWEINYDDU'R HYN DDAW YN LLE FFRYDIAU CYLLIDO CYFREDOL YR UE:**

Mae gan PCC, fel pob rhanddeiliad, amhaeon am y cynlluniau ar gyfer y dyfodol, eu strwythurau, gweinyddiaeth a sut byddai newidiadau yn dylanwadu pwrpasau Parciau Cenedlaethol yn y sefyllfa yn dilyn BREXIT.

Mae PCC yn tynnu eich sylw at y pwyntiau a ganlyn:

- Ar ôl BREXIT - yr angen i drefniadau rheoleiddio fod yn bodoli, o ran amddiffyn yr amgylchedd a defnyddwyr.
- Sut beth fydd y lefel sylfaenol o reoliadau ar gyfer diwydiant a'r sector rheolaeth tir?
- Mae cyflawni gweithgaredd echelin 3 a 4 ar hyn o bryd wedi'i seilio ar ffiniau gweinyddol Awdurdodau Lleol – rydym ni'n credu bod trefniadau wedi'u canoli ar lefydd a chyrchfannau'n fwy effeithiol ar gyfer cyflawni ar y fath faterion.
- Fel mater o egwyddor, dylai Llywodraeth Cymru ddatganoli gweinyddu a chyflawni i ganolfannau ar sail ranbarthol neu leol, gall gweithredu fel hyn gryfhau deilliannau a byddai'n tanategu y pum ffordd o weithio a chyfrannu i ganlyniadau fel sydd i'w gweld yn Neddf Llesiant Cenedlaethau'r Dyfodol (Cymru).
- Dylai cyflawni peirianweithiau cefnogi rheolaeth tir fod yn gyson gyda deilliannau strategol fel Rheolaeth Gynaliadwy ar Adnoddau Naturiol, Datblygiad Cynaliadwy a, lle bo'n briodol, ddeilliannau iaith a diwylliant. Mae Ysgrifennydd y Cabinet wedi cadarnhau na fydd gweithredu fel pe bai 'yr un agwedd yn addas at bawb' yn digwydd yng Nghymru. Ar sail hynny rydym ni'n credu y dylai cynlluniau lle sy'n debyg i Gynlluniau Rheoli Parciau Cenedlaethol fod yn sail ar gyfer gosod blaenoriaethau, trefniadau cefnogi i'r dyfodol, ac ar gyfer eu gweinyddu.
- Mae angen caniatáu ar gyfer trefniadau trosiannol i'r holl raglenni sy'n cael eu hariannu ar hyn o bryd gan yr UE.
- Mae'n anodd cyngori ar sut orau i gyflawni ar gyfer Cymru (a sut i weinyddu) gan ei bod yn anodd mesur beth fydd unrhyw gyllidebau ar ôl 2024. A fydd cyllidebau'n cael eu neilltuo, ac os na fyddant sut bydd Llywodraeth Cymru'n addasu'r fath adnoddau (os gwneir hynny o gwbl). Mae hyn yn hanfodol gan y bu'n fuddiol i raglenni cyfredol yr UE gael rhaglenni ariannu 7 mlynedd, sy'n caniatáu ar gyfer gweithredu mwy strategol o ran beth i'w wneud a sut i gyflawni ar gyfer Cymru. Byddai dyraniadau ariannol tymor byr yn arbennig o drafferthus wrth ymateb i ffactorau amgylcheddol a chymdeithasol.
- O ran rheolaeth amgylcheddol ar sail tir, mae angen dealltwriaeth beth yw nwyddau cyhoeddus, beth fydd y buddion cyhoeddus a bydd angen cyfiawnhad eglur dros unrhyw ymyraethau y bydd eu hangen.



Parciau Cenedlaethol Bannau Brycheiniog, Arfordir Penfro ac Eryri yn gweithio mewn partneriaeth. Brecon Beacons, Pembrokeshire Coast and Snowdonia National Parks Working in Partnership

Parciau Cenedlaethol Cymru  
National Parks Wales

Swyddfa'r Parc Cenedlaethol /  
National Park Office

Penrhyndeudraeth, Gwynedd, LL48 6LF  
Ffôn/Phone: 01766 772 202

gofyn@parciaucenedlaetholcymru.gov.uk  
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Y Pwyllgor Cyllid

Cynulliad Cenedlaethol Cymru

09 Mai 2018

Annwyl Gyfaill,

## Ymchwiliad i'r paratodau ar gyfer yr hyn a fydd yn disodli ffrydiau cyllido'r UE yng Nghymru pan fydd y DU yn gadael yr UE

Diolch ichi am y cyfle i ymateb i'ch ymchwiliad. Hoffwn bwysleisio'r pwyntiau canlynol.

- Mae angen asesu goblygiadau economaidd ymadawiad y DU â'r Undeb Ewropeaidd ar gyfer siaradwyr y Gymraeg a chymunedau Cymraeg eu hiaith. Mae'n gwbl allweddol nad yw Brexit yn tanseilio'r ymdrech i greu rhagor o siaradwyr Cymraeg na'r defnydd a wneir ohoni.
- Ar hyn o bryd, mae amodau'r cymorth sydd ar gael trwy'r cronfeydd Ewropeaidd yn cynnwys gofynion o ran y Gymraeg. Dylai'r broses o gytuno, cynllunio a gweithredu'r ffrydiau cyllido newydd yng Nghymru yn dilyn Brexit barhau i gydnabod ac ymateb i natur Cymru fel gwlad ddwyieithog.
- Mae'r trafodaethau am ddyfodol y ffrydiau cyllido yn cynnig cyfle gwerthfawr i ailymweld â gweithdrefnau presennol y ffrydiau cyllido o ran yr ystyriaeth a roddir i'r Gymraeg. Gellid ystyried y testun, dulliau gweithredu a'r dull o werthuso gofynion ac amcanion o ran y Gymraeg. Gellir cyflawni hyn trwy gynnal adolygiad pwrpasol o'r trefniadau presennol ar draws gwahanol gronfeydd Ewropeaidd.

Comisiynydd y Gymraeg  
Siambrau'r Farchnad  
5-7 Heol Eglwys Fair  
Caerdydd CF10 1AT

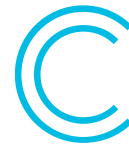
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## 1. Cyd-destun yr ymateb hwn

Prif nod y Comisiynydd wrth arfer ei swyddogaethau yw hybu a hwyluso defnyddio'r Gymraeg. Wrth wneud hynny bydd y Comisiynydd yn ceisio cynyddu'r defnydd o'r Gymraeg yng nghyswllt darparu gwasanaethau, a thrwy gyfleoedd eraill. Yn ogystal, bydd yn rhoi sylw i statws swyddogol y Gymraeg yng Nghymru a thrwy osod safonau rhoddir dyletswyddau statudol ar sefydliadau i ddefnyddio'r Gymraeg. Un o amcanion strategol y Comisiynydd yn ogystal yw dylanwadu ar yr ystyriaeth a roddir i'r Gymraeg mewn datblygiadau polisi a dyna a wneir yma. Ceir rhagor o wybodaeth am waith y Comisiynydd ar y wefan [comisiynyddygyymraeg.cymru](http://comisiynyddygyymraeg.cymru).

## 2. Effaith economaidd Brexit ar y Gymraeg

Cyfeiriais eisoes mewn manau eraill at y cysylltiad rhwng y Gymraeg a'r economi; ac at bwysigrwydd sectorau penodol megis y sector amaeth i'r Gymraeg a'i siaradwyr.<sup>1</sup> Mae angen asesu goblygiadau economaidd ymadawiad y DU â'r Undeb Ewropeaidd ar gyfer siaradwyr y Gymraeg a chymunedau Cymraeg eu hiaith. Dylid sicrhau nad yw Brexit yn:

- tanseilio darpariaeth rhaglenni a phrosiectau yng Nghymru sy'n allweddol i greu gweithlu medrus dwyieithog ac i gefnogi'r defnydd o'r Gymraeg yn y gymuned ac mewn byd busnes; ac
- effeithio ar sectorau o'r economi sy'n bwysig i siaradwyr y Gymraeg ac sy'n cynnal cymunedau Cymraeg eu hiaith i raddau helaeth, megis y sector amaeth, y sector creadigol a'r sector addysg a hyfforddiant ôl-16.

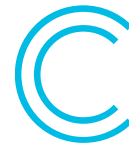
Am ragor o fanylion gweler fy ymateb diweddar i ymchwiliad Pwyllgor Materion Allanol a Deddfwriaeth Ychwanegol [‘Gwydnwch a pharodrwydd: ymateb gweinyddol ac ariannol Llywodraeth Cymru i Brexit’](#).

Dadleuais ar y pryd ei bod hi'n gwbl allweddol nad yw Brexit yn tanseilio'r ymdrech i greu rhagor o siaradwyr y Gymraeg na'r defnydd a wneir ohoni. Galwais ar y Lywodraeth i roi sylw priodol i'r Gymraeg ym mhob agwedd o'i gwaith sy'n gysylltiedig â Brexit.

## 2. Gofynion o ran y Gymraeg o dan y weithdrefn gyllido bresennol

Ar hyn o bryd, mae amodau'r cymorth sydd ar gael trwy'r cronfyedd Ewropeaidd yn cynnwys gofynion o ran y Gymraeg. O dan reoliadau Ewropeaidd, mae'n rhaid integreiddio 'themâu trawsbynciol' yn y gwaith o gynllunio a datblygu'r gweithgareddau a ariennir trwy'r Cronfeydd

<sup>1</sup> Gweler fy ymateb diweddar i ymchwiliad y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau [i dloidi yng Nghymru: gwneud i'r economi weithio i'r rheini sydd ag incwm isel](#); ac



Strwythurol a Buddsoddi Ewropeaidd (ESI), sy'n cynnwys Cronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig (EAFRD), Cronfa Datblygu Rhanbarthol Ewrop (ERDF), Cronfa Gymdeithasol Ewrop (ESF) a Chronfa'r Môr a Physgodfeydd Ewrop (EMFF).<sup>2</sup> Er bod rhai themâu trawsbynciol yn ofynnol (megis Cyfle Cyfartal), mae modd ychwanegu atynt yn unol â pholisi cydraddoldeb ar y lefel Prydeinig ac ar lefel Gymreig.

Nid yw hi'n ofynnol o dan reoliadau Ewropeaidd i ystyried iaith yng nghyd-destun y themâu hyn. Fodd bynnag, penderfynodd Llywodraeth Cymru y dylai'r amcanion cydraddoldeb ar gyfer rhaglenni Ewropeaidd yng Nghymru gynnwys 'adnabod a chefnogi cyfleoedd i hybu a hwyluso'r defnydd o'r Gymraeg'.<sup>3</sup> Yn ôl canllawiau Swyddfa Cyllid Ewropeaidd Cymru (WEFO) gall gweithrediadau a ariennir gyfrannu at yr amcanion hyn trwy, e.e:

- sicrhau bod gwasanaethau Cymraeg yn cael eu hyrwyddo yn weithredol;
- sicrhau bod y gweithrediadau yn cyfrannu at gynnydd yn y ddarpariaeth cyfrwng Cymraeg a defnydd o'r Gymraeg gan gyfranogwyr; gwella sgiliau Cymraeg; a chyfleoedd economaidd gwell mewn ardaloedd Cymraeg eu hiaith;
- monitro cynnydd a chanlyniadau cadarnhaol ynglŷn â'r iaith Gymraeg.

Gallant hefyd 'sicrhau bod yr holl weithrediadau a gwasanaethau a gyllidir ... ar gael drwy gyfrwng y Gymraeg a bod y gwasanaethau hyn yn cael eu hyrwyddo'n weithredol'.<sup>4</sup>

Mae cymhelliant Llywodraeth Cymru i gynnwys y Gymraeg fel thema trawsbynciol i'w ganmol. Er nad yw'r iaith yn nodwedd warchoddedig o dan Ddeddf Cydraddoldeb 2010, cadarnheir hawliau siaradwyr y Gymraeg yng Nghymru gan Fesur y Gymraeg (Cymru) 2011. Cydnabyddir y Gymraeg hefyd ymysg nodau Llesiant Deddf Llesiant Cenedlaethau'r Dyfodol (Cymru) 2015. Er y gwneir hynny mewn modd gwahanol, mae'r ddau ddarn hwn o ddeddfwriaeth yn darparu ar gyfer gwlad lle mae'r Gymraeg yn ganolog i bolisi cyhoeddus.

O'r herwydd, mae'n hanfodol bod y broses o gytuno, cynllunio a gweithredu'r ffrydiau cyllido newydd yng Nghymru yn dilyn Brexit yn cydnabod ac yn ymateb i natur Cymru fel gwlad ddwyieithog. Ar lefel gwbl sylfaenol, golyga hyn y dylai'r amodau cyllido ddarparu ar gyfer costau cydymffurfio â'r gofynion o ran y Gymraeg, megis costau cyfieithu. Ar y lefel uwch, dylid sicrhau eu bod nhw'n galluogi hybu a hwyluso defnyddio'r Gymraeg a chyflawni ar gyfer ei siaradwyr a chymunedau lle siaredir yr iaith.

#### 4. Ehangu a chryfhau'r gofynion o ran y Gymraeg

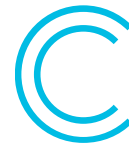
<sup>2</sup> Hefyd, ar gyfer rhaglenni datblygu gwledig o dan PAC mae'r blaenoriaethau'n cynnwys cyhwysiant cymdeithasol, trechu tlodi a datblygu economaidd mewn ardaloedd gwledig. [https://ec.europa.eu/agriculture/rural-development-2014-2020\\_en](https://ec.europa.eu/agriculture/rural-development-2014-2020_en)

<sup>3</sup> <https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-social-fund-cy.pdf>, t. 5;

<https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-regional-development-fund-cy.pdf>, t.5.

<sup>4</sup> <https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-social-fund-cy.pdf>, t. 10;

<https://gov.wales/docs/wefo/publications/170620-cross-cutting-themes-key-document-european-regional-development-fund-cy.pdf>, t.11.



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Wedi dweud hynny, mae'r trafodaethau am ddyfodol y ffrydiau cyllido yn cynnig cyfle gwerthfawr i ailymweld â gweithdrefnau presennol y ffrydiau cyllido o ran yr ystyriaeth a roddir i'r Gymraeg yn y testun, y dull gweithredu a dull gwerthuso gofynion ac amcanion yr arian a ddyrennir. Gellir cyflawni hyn trwy gynnal adolygiad pwrpasol o'r trefniadau presennol ar draws gwahanol gronfeydd Ewropeaidd. Er enghraifft, o dan y canllawiau presennol nid yw hi'n 'orfodol' i'r gweithrediadau a ariennir gyfrannu at yr amcanion o ran y Gymraeg. Nid yw'r geiriad presennol yn awgrymu chwaith eu bod hi'n orfodol iddynt weithredu a darparu gwasanaethau'n ddwyieithog. Gellir ystyried cryfhau'r gofynion hynny.

Deallaf hefyd mai, yn hanesyddol, prin yw'r ymyriadau o dan y rhaglenni cymorth Ewropeaidd sy'n targedu siaradwyr y Gymraeg yn rhagweithiol, ac sydd wedi'u teilwra ar gyfer eu hanghenion hwy. Dyma oedd un o gasgliad gwerthusiad RDP yn 2014.<sup>56</sup> Er hynny, hyd y gwn, dim ond mewn llond dwrn o'r prosiectau a dderbyniodd gymorth Ewropeaidd dros y blynyddoedd diwethaf y gosodwyd y Gymraeg wrth galon y gweithgareddau. Yn eu mysg, un a lwyddodd i fanteisio ar Gronfa Amaethyddol Ewrop ar gyfer Datblygu Gwledig, oedd prosiect 'Marchnad Lafur Cymraeg' gan Four Cymru mewn partneriaeth â Mentrau Iaith Cymru.<sup>7</sup>

Tybiaf hefyd fod gwerth ailymweld â'r dulliau presennol o fesur a gwerthuso effaith gweithrediadau ar y Gymraeg. Ar hyn o bryd, mae WFO yn casglu data penodol o ran y Gymraeg, a gosodir targedau mewn cysylltiad â'r data hwn. Er enghraifft, yn y prosiectau o dan ESF gofynnir am y data am allu ieithyddol y cyfranogwyr, eu dewis iaith, ac iaith y ddarpariaeth.<sup>8</sup> Yn ogystal ym mis Mehefin 2015 penderfynodd WFO gyflwyno dangosyddion ychwanegol ar lefel prosiect er mwyn hwyluso cofnodi arfer da mewn cysylltiad â'r themâu trawsbynciol.<sup>9</sup> (Dylwn danlinellu nad yw hi'n glir i mi i ba raddau y defnyddir dangosyddion tebyg ar gyfer prosiectau o dan y Cynllun Datblygu Gwledig, sy'n dilyn trefn gwerthuso wahanol o gymharu â'r prosiectau ESF ac ERDF).<sup>10</sup> Wrth i'r weithdrefn gyllido bresennol ddirwyn i ben, gellir defnyddio'r cyfle i ailymweld â'r mathau o ddata a gesglir a'r targedau a osodir, ac adolygu eu gwendidau a'u cryfderau.

## Casgliad

<sup>5</sup> <http://gov.wales/docs/drah/publications/141114-rural-development-programme-environment-impact-assessment-sept-report-en.pdf>

<sup>6</sup> Comisiynydd y Gymraeg, Potensial y Gymraeg i gyfrannu at wireddu amcanion Rhaglenni Ariannu Ewropeaidd 2014-2020; Mentrau Iaith Cymru, Cynllun Marchnad Lafur Cyfrwng Cymraeg; [Adroddiad y Grŵp Gorchwyl a Gorffen ar yr Iaith Gymraeg a Datblygu Economaidd](#) (Ionawr 2014);

<sup>7</sup> Nod y prosiect hwn yw 'datblygu'r Gymraeg fel catalydd economaidd fyddai'n gyfrwng i ddatblygu ac adfywio y Gymru Wledig'. <http://four.cymru/wordpress/wp-content/uploads/2017/09/Marchnad-Lafur-Cymraeg.pdf>

<sup>8</sup> <https://gov.wales/docs/wefo/publications/180502-pmc-papers-may-2018-cy.pdf> t.4

<sup>9</sup> <https://gov.wales/docs/wefo/publications/171129-pmc-papers-dec-17-cy.pdf> t 156

<sup>10</sup> Strategaeth Monitro a Gwerthuso: Cronfeydd Strwythurol a Buddsoddi Ewropeaidd 2014-2020 – Diweddariad 2017, <https://gov.wales/docs/wefo/publications/171129-pmc-papers-dec-17-cy.pdf>



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Hyderaf y bydd fy sylwadau uchod o ddefnydd i chi. Annogaf y Pwyllgor i roi ystyriaeth fanwl iddynt yn ystod yr ymchwiliad.

Yr eiddoch yn gywir,

**Meri Huws**  
Comisiynydd y Gymraeg







