

PEMBROKESHIRE COUNTY COUNCIL

Response to an Inquiry by the Welsh Parliament's Finance Committee Post-EU Funding Arrangements

Introduction

15. Pembrokeshire County Council is pleased to have the opportunity to respond to this Inquiry, which is obviously a matter of great interest both to the Council and to the people that it serves. The Council provides public services to around 126,000 people resident in Pembrokeshire, and many more who visit our county. Our Council's services have been boosted by EU investment of over £100m since 1996² and this has allowed us to provide business and tourism infrastructure, physical regeneration, waste reduction and recycling, as well as many education and training opportunities, and anti-poverty initiatives.
16. In addition to the EU funding that flowed through Pembrokeshire County Council itself, the county of Pembrokeshire has benefited from EU funded programmes and projects run by many other organisations, including the Welsh Government, further education colleges, universities, the third sector, and the private sector. Examples include business support programmes, apprenticeships, tourism marketing and environmental projects. Pembrokeshire has also benefitted from cross-border projects with Ireland and wider transnational projects, such as initiatives to both improve the county's shoreline response to pollution incidents whilst sharing our experience with other EU regions and countries.
17. Given this historic high level of EU investment in the county, Pembrokeshire County Council has been anxious that the promise of "not a penny less" as a result of Brexit should be realised in practice.

Progress in establishing and delivering replacement funds for EU structural funds, including the UK Shared Prosperity Fund, the UK Community Renewal Fund and the Levelling Up Fund.

18. Progress in bringing forward the UK Shared Prosperity Fund (SPF) has been too slow. The Prospectus was published less than a week before this response was drafted. The SPF development process has been opaque in terms of the principles of engagement and consultation that are key to the conceptual underpinning of the 'Levelling-Up' agenda.
19. As a harbinger for the SPF, the UK Community Renewal Fund (CRF) was poorly conceived and to a great degree it is difficult to see how the 'learning' from the CRF can influence the shape of the SPF, particularly given the implementation of the former and design of the latter overlapped. The only learning that seems to have occurred is that it has been recognised that the competitive nature of CRF was inherently wasteful. It is with relief that this requirement has been removed from the SPF. The very tight timescale for decision making and (until a recent

² Breakdown available on request.

extension) for implementation contributed to a sense that the CRF is an example of how not to manage an effective regeneration programme.

20. It should be understood that the Levelling Up Fund (LUF) is not a replacement for the EU Structural Funds. It is instead a Barnett consequential that arises from the English Towns Fund, which instead of being made available to the Welsh Government is being directed through a bidding mechanism towards Welsh local authorities.
21. Again, the short term competitive nature of LUF runs counter to the theory and practice of 'good regeneration'. It is unclear what the purpose of using parliamentary boundaries as the spatial footprint for LUF funding was, given that most constituencies cut across functional economic areas.

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

22. Most commentators agree that the level of funding announced to date is well short of what Wales would have received if the UK had remained a member of the EU. Despite the SPF Prospectus claiming that it is "targeting funding where it is needed most" (SPF Prospectus section 1.1) there does not seem to be a particularly strong spatial targeting approach in Wales, with 40% being distributed on a per capita basis (SPF Prospectus section 3.2). Whether, in areas such as Pembrokeshire and West Wales and the Valleys, 'Levelling Up' will join the list of policies, programmes and initiatives that deliver less than they promise we shall have to wait to see.
23. The budget for the SPF attempts to take account of the EU Structural Funds budgets, being the funding from the European Regional Development Fund and the European Social Fund. It does not however recognise that support for non-farm businesses and communities in rural areas, previously provided by the European Agricultural Fund for Rural Development has also been lost as a result of leaving the EU. The latest announcements of rural support from the Welsh Government are welcome, but benefit only our agricultural and forestry industries and not the wider rural economy or society.
24. Nor does the SPF replace the European Maritime and Fisheries Fund, which provided valuable support for fishing communities and the fishing industry in Pembrokeshire and around Wales. These funds should also be replaced.
25. The SPF budget is also less than it should be due to the offsetting of EU funds from the 2014-20 programmes received after Brexit. This point is explained in more detail in paragraph 14.

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

26. The mechanisms and structures through which the SPF will be delivered are markedly different from those that have persisted hitherto. As the work in

adapting existing structures or establishing new ones is only just beginning, following the publication of the SPF Prospectus the week before this is written, it is difficult to comment in any great detail. It is foreseen that difficulties may arise in reconciling local accountability and delivery, with regional lead bodies and plans and that these may hinder the effectiveness of the programme. The short timescale allowed during which these complex issues must be worked through in the immediate aftermath of local government elections, is not conducive to finding workable solutions.

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

27. It is not clear to us what is meant by "legacy funding" in this context. The only funding that we receive that is associated with the EU Structural Fund programmes is funding that is part of those programmes. It is not new funding nor a legacy of those programmes. The EU Withdrawal Agreement provides that the EU Structural Fund programmes for 2014-2020 are permitted to continue until their natural end in 2023, as provided for by the N+3 rule. This rule allows the Structural Fund budget for one year to be spent within the following three years. Thus the budget for 2020 must be spent by 2023. This is no different to the situation that would have existed had the UK not left the EU.

28. However, had the UK remained in the EU, during the period 2021-2023 Wales (and Pembrokeshire) would have received funding from the 2021-2028 EU Structural Fund programmes in addition to the budgets from the end of the 2014-2020 EU programmes. This overlap is not accounted for in the UK Government allocations of UK Shared Prosperity Fund. On the contrary, the UK Shared Prosperity Fund has been reduced to "offset" the balance of funds from the 2014-2020 Structural Fund programmes. We believe this funding, which should rightfully come to Wales, should be reinstated.