

Enterprise and Business Committee

SF-05

Inquiry into the draft legislative proposals for EU Structural Funds for 2014 – 2020

Evidence from the Welsh Local Government Association

WLGA response to the National Assembly for Wales' Enterprise and Business Committee Inquiry into the draft legislative proposals EU Structural Funds for 2014-2020

Monday 14th November 2011



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. Following the publication of the draft regulations for the Structural Funds by the European Commission on 6 October, WLGA welcomes the opportunity to contribute to the National Assembly for Wales' Inquiry into the draft legislative proposals on the Structural Funds for 2014-2020.
4. This response has been put together in consultation with all local authorities across Wales. WLGA will respond to the issues as set out under the terms of reference for the inquiry.

What the European Commission's proposals could mean for Wales?

5. We sincerely welcome the publication of the draft regulations for the future EU Structural Fund Programmes as they provide a number of positive opportunities to develop programmes that will make a real difference to communities and businesses across Wales.
6. WLGA welcomes the emphasis in the new regulations for a **stronger Partnership principle** for the development of Operational Programmes at a 'regional' level and the Partnership Contract at the Member State level. The new 'code of good practice', to ensure proper partnership at the national and regional level, is also welcomed.

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7. We also welcome the proposals for the simplification of management and audit procedures, such as reducing the number of audit controls carried out. We hope that this leads to real simplification on the ground. There is a need to address the problems that communities and businesses across Wales have encountered in the current programmes in accessing European funding. These include the levels of bureaucracy they have to deal with and all the hoops that they have to go through in terms of the over emphasis on the use of procurement processes and requirements in the delivery of the current programmes.
8. WLGA supports the proposal to **prioritise Local development across all the EU funds**. The focus on Integrated Local Development Partnerships and Strategies and Local Action Groups, and Operational Programmes to identify the areas where community led local development will be implemented, is welcomed. However, in light of the current partnerships and plan reduction strategy in Wales, we are keen to explore how some of the existing Partnerships we have at the local level in Wales could fulfil this role rather than inventing another level of local partnership bodies. For example, most local authority areas have Regeneration Partnerships which could bring all of this together at the local level.
9. **WLGA welcomes the proposal for an integrated delivery of all the regional and rural funds through the new Common Strategic Framework (CSF)**. By incorporating funds for the European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EARDF), and European Maritime and Fisheries Fund (EMFF), the CSF sets out common provisions for governing all these funds, and should lead to a more streamlined approach towards the management and implementation of these funds and better coordination of spending on the ground.

10. WLGA welcomes the new CSF as it provides the local and regional level with a great opportunity to aim for **real integrated delivery on the ground** comprising actions and interventions funded by the various funds as part of local development strategies, wider sub-delegated delivery at the sub-regional and/or regional level and the possibility to prepare **Multi-Fund Operational Programmes**. WLGA looks forward to the expected publication of the CSF communication in January 2012, which will include further details regarding how each fund will complement each other.

11. **WLGA welcomes the wider possibilities of sub-delegation e.g. Joint Action Plans and Integrated Territorial Investments, aimed at allowing delivery of EU funds at a sub-regional level in a more simplified, outcome based way.** These options could enable local authorities to work together at a regional level, in partnership with other service providers, to deliver a group of projects and to directly manage part of the EU funds allocation. This provides us with a great opportunity to build on the regional collaborative projects and approaches delivered by local government and other partners in the current programmes. For example, through a Joint Action Plan, local authorities could 'group' together to develop a number of activities and interventions with specific objectives, result indicators and outputs. WLGA welcomes the emphasis on offering a simplified management and control system geared towards achieving performance and outcomes. Integrated Territorial Investments could also be an attractive proposal for local authorities, as it would allow Operational Programmes to set out indicative financial allocations from each priority and designate one or more intermediate bodies, including local authorities, to manage, deliver, and implement an Integrated Territorial Investment.

12. WLGA stresses that there would **need to be clear linkages between the proposals for local development approaches and the wider sub-delegated opportunities in order to ensure that activities, interventions and investments complement each other.**

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13. Further, the WLGA believes that there is a need to strike a better balance in the new programmes for Wales between local, sub-regional, regional and national delivery and welcomes the fact that the regulations present us with a real opportunity to achieve that. Some of the proposed priorities in the Commission's menu of 11 thematic priorities, in particular Priority 9 encompassing Social Inclusion and Combating Poverty, would be better delivered at a local and sub-regional level whilst other priorities are better suited to a wider regional approach. We look forward to exploring how to achieve a better balance in delivering interventions in the new programmes with key partners over the coming months.
14. In light of the current economic crisis, and in particular the scale of the cuts Wales is facing in capital expenditure, the need to invest in **capital infrastructure** should be very high up on the list of priorities for the future programmes for Wales. We will need to be much more creative and innovative in how we use future European Funding as a catalyst for further investments from the private sector and be cleverer about how to achieve more sustainable investments.
15. As Wales continues to be in a position where it needs to invest in physical regeneration across our cities, town centres and rural areas, **we welcome the inclusion of physical and economic regeneration of deprived urban and rural communities** as part of the menu of priorities that can be funded in the future programmes and will be making a strong case for this activity to be included in the new programmes for Wales.
16. As Small and Medium Sized Enterprises (SMEs) form the backbone of the Welsh Economy they will need to be supported more than ever during the next few years. As a result **we welcome the inclusion of promoting enterprise in the menu of priorities published by the Commission and will be lobbying for continued support for SMEs in the new programmes for Wales.** More often than not what

these companies need is very small levels of support thus we are really keen to ensure that something similar to the **Local Investment Fund** we are currently offering is continued in the next round of programmes to enable SMEs to access small grants that can make a real difference to their survival.

17. Due to the increased levels of **youth unemployment, young people not in employment, education or training and the high levels of economic inactivity in Wales the future EU Programmes for Wales must address these challenges.** We are extremely keen to ensure that some of the key regional collaborative projects led by local government in partnership with other service providers in these areas under the current programmes are built upon in the new programmes.
18. As a result of the emphasis in the draft regulations for the new programmes on **supporting the shift towards a low carbon economy,** activities that promote renewable energy sources, energy efficiency and adapting to climate change will be high up on the agenda for the new programmes for Wales. We will be encouraging the development of sustainable investments in these areas.
19. WLGA also welcomes the proposals in the regulations to **simplify the use of financial engineering instruments** by offering ready-made solutions through access to instruments set up at the EU level and models for national and regional funds based on standard terms and conditions laid down by the Commission. In addition, the proposal to establish a clear framework for implementing the instruments, and the possibility of using these instruments for all types of investment and beneficiary, is welcomed. We will need to explore how best to use such opportunities in the new programmes for Wales. Key to this will be to ensure that any future model developed is better designed to reflect the reality of the market conditions in most parts of Wales so that it is a much more attractive offer for our

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businesses and communities compared to the current JESSICA Regeneration Investment Fund for Wales.

20. WLGA welcomes the **Connecting Europe Facility** proposal for large scale, pan-European investments in transport, energy, and ICT infrastructure. The proposal to mobilise and attract private financing through innovative market instruments such as guarantees and project bonds is welcomed. In terms of transport, the only project of direct relevance to Wales which has been included in the pre-identified list of projects by the Commission is the upgrading of the rail line between Swansea-Cardiff-Bristol-London as part of the Dublin-London-Paris-Brussels corridor. WLGA therefore welcomes the possibility that funding to extend the electrification of the rail line between Cardiff and Swansea could be eligible under the new Facility. Further, WLGA welcomes the possibility of attaining EU funds to improve and extend the deployment of fast and super-fast broadband infrastructure in Wales, particularly in rural areas. **We need to explore how we could use funding from this fund, together with funding from the new Structural Fund programmes, to maximise investments in infrastructure. Further, we need to explore the possibilities of proposing wider potential projects to be funded via this route as the pre-determined list of projects seems too narrow. We would welcome, for example, the ability to access this funding for improvements to ports infrastructure across Wales.**

What should the Welsh Government's priorities be in its negotiations to ensure a beneficial outcome for Wales?

21. The main priorities for the Welsh Government in its negotiations with the UK Government should be to ensure that Future Cohesion Policy is applicable for the whole of the EU and that there will be adequate resources available to deliver the new European Structural Fund Programmes as part of the EU Budget for 2014-2020.

22. The regulations for the Structural Funds propose that a **Partnership Contract** must be developed and agreed between Member States and the European Commission to set out interventions, proposed outcomes, commitments to Europe 2020 goals and subject to a performance reserve. These Contracts will have to include an analysis of the development needs within the Member States and a summary of how the integrated funds will be deployed. They will include an assessment of what actions are planned to reduce the administrative burden for beneficiaries and authorities responsible for the management and control of programmes.
23. The WLGA would rather see a Partnership Contract developed and agreed directly between Wales and the Commission so that accountability for managing and delivering the new funding programmes is at the Wales level, rather than the UK level. **As a result we strongly urge the Welsh Government to lobby for a direct Partnership Contract between Wales and the European Commission.**
24. However, if the European Commission and the Member States insist that the Partnership Contracts have to be between them then it is crucial that the Welsh Government plays an active role in the preparation of the UK Partnership Contract in order to ensure the specificities of urban and rural areas in Wales are fully recognised. It will be important to ensure **regional and local input** into this document thus we welcome the proposals in the regulations that regions and localities must be involved in their development.
25. WLGA would also recommend that the Welsh Government lobbies for more flexibility to develop interventions that meet local and regional needs and circumstances, thus not necessarily wholly concentrated on attaining the Europe 2020 objectives e.g. the continued need to invest in basic infrastructure and physical regeneration across West Wales and the Valleys. Flexibility to target funding where it is most needed will be important.

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26. **WLGA expresses concern at the proposed conditionalities within the new regulations.** The new macro-economic conditions introduce suspensions of funds for those regions within Member States who are in receipt of EU bailouts and found not responsive enough to the recommendations of the EU. **WLGA emphasises that penalising regions and communities for issues that are the responsibility of Member States seems disproportionate and counterproductive to the whole ethos of EU Structural Funds and Cohesion Policy.**
27. WLGA is also concerned about the proposed performance reserve mechanism, in particular the potential impact that it could have on the delivery of future programmes at a local, sub-regional and regional level and the impact of the possibility of releasing the reserve at such a late stage in the life of the programmes on the operation and management of projects.
28. Regarding the **urban dimension**, it is proposed to ring-fence a minimum of 5% of ERDF resources per Member State for sustainable urban development. In order to ensure that Welsh towns and cities benefit sufficiently from the urban dimension, **WLGA calls for as much flexibility as possible in the definition of an urban area**, promote a territorial approach to the urban agenda, emphasise the importance of urban-rural linkages, and ensure that the focus on urban areas is not to the detriment of rural areas.
29. Regarding **thematic concentration and ring-fencing**, the regulations propose a 'menu' of 11 overall thematic priorities that all the funds will be required to meet. Four priorities are for ESF, with the rest for ERDF. These priorities are directly linked to achieving the goals of Europe 2020. Although the Less Developed regions, such as West Wales and the Valleys, will have a wide menu of priorities to choose from, the More Developed regions, such as East Wales, will have less priorities to choose from

(80% of ERDF resources towards energy efficiency, research and innovation, SME competitiveness, and 80% of ESF resources towards promoting employment, social inclusion, skills and lifelong learning). **WLGA calls for a lower percentage for the proposed ring-fencing for areas such as East Wales, as the current proposal seems too strict at 80% of all resources. A lower percentage would seem more reasonable and acceptable to regions in this category.**

30. In light of the cuts in capital expenditure across all budgets there is no doubt that finding match funding in the new programming period will be more challenging than ever. As a result every opportunity to assist in this will need to be explored. This will include negotiating for higher intervention rates for future investments in capital infrastructure in particular. It will also include more creative thinking about how we fund infrastructure projects in the future, including maximising the borrowing potential of local government, to act as a catalyst for further investments from the private sector.
31. Further, we need to explore how we could access funding from the Connecting Europe Facility together with funding from the Structural Fund Programmes to maximise investments in infrastructure.
32. There will also be a need to explore how best to use Welsh Government and wider domestic funding streams, such as funding for Regeneration Areas, the new Communities First Programme, funding from other Welsh Government departmental budgets, including education and skills, Big Lottery and Job Centre Plus etc, to maximise the use of European Funding. This needs to include how to make more use of match funding the European Funds at source to make it easier for businesses and communities to access this much needed funding in the future.
33. It also includes the need to think differently about how we maximise the funding available from other European Programmes, from funding for research and innovation

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to the new education and lifelong learning programmes, so that we have a more joined-up approach going forward.

How can Wales ensure that its views inform the negotiation process?

34. WLGA emphasises the need for **genuine partnership working at the Wales, UK and European levels** during the negotiations on the Common Strategic Framework and Structural Funds Programmes.
35. Local government plays a vital role in the current programmes as part of the Specialist European Teams in assisting and supporting communities and businesses in accessing funding from the European programmes. They provide a vital role in terms of overcoming the barriers to applying and accessing the funds, in facilitating the involvement of the private and voluntary sectors in the programmes and in promoting the programmes across Wales. They also play a key role in supporting the regional collaborative projects delivered in the current programmes. We are extremely keen to ensure that we build upon all this knowledge and expertise, developed over a number of different European Programming periods, as we go forward to the new period. These officers are ideally placed to provide the support necessary to ensure that our communities and businesses maximise the opportunities in the new round of programmes.
36. We wish to see genuine and equal partnership working with the Welsh Government and other key partners in developing the new Structural Funds Programmes for Wales and the delivery mechanisms thus wish to be centrally involved in the planning, preparation, negotiation and implementation of the future programmes for Wales. **WLGA looks forward to working with key partners via the European Programmes Partnership Forum for 2014-2020 and the expert work streams**

that will support the work of the Forum in planning and preparing for the new programmes in Wales.

37. At the UK level, WLGA recommends to the Welsh Government the need to involve local government at all stages of the policy process during negotiations with the UK Government. As the success of cohesion policy is largely determined by the participation of local people and organisations on the ground, the principle of subsidiarity must be respected and the role of local government reinforced.
38. As the UK Government will be leading the negotiations on both the future EU budget and programmes for 2014-2020 it is vital that every effort is made to ensure that they are aware of the issues, concerns and priorities of Wales. We support and encourage Welsh Government officials' involvement in key discussions at the UK level led by officials from the Department for Business, Innovation and Skills. We would also encourage the Welsh Government to ensure that the Secretary of State for Wales, and all of Wales' Members of Parliament, are aware of the issues, concerns and priorities for Wales in order for them to influence the UK Government's negotiating positions.
39. We welcome and support the commitment made by the Welsh Government's Deputy Minister for Agriculture, Food, Fisheries and European Programmes, Alun Davies AM, that he will seek to attend meetings of the General Affairs European Council and would urge him to insist on attending as many such high level meetings as possible to ensure that Wales' voice is heard and represented. We also welcome and support his commitment to working with the UK Permanent Representation Office in Brussels to ensure that they are aware of Wales' priorities.
40. At the European level, WLGA stresses the need for a continued Team Wales approach, whereby WLGA works closely with its Wales House Brussels colleagues in the Welsh Government, National Assembly for Wales and Welsh Higher Education Brussels, in order to ensure the best possible deal for Wales in the negotiations with the UK Government and European Commission.

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41. Close links and regular dialogue with Wales' MEPs is also crucially important in order to maximise lobbying opportunities in the European Parliament, particularly as the Structural Funds regulations will be adopted through the co-decision procedure for the first time. Wales' influence in the Structural Funds negotiation process can only be strengthened through close collaboration, a strategic dialogue and sufficient consultation between the key stakeholders in Wales.
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