

SCRUTINY COMMITTEE REPORT

Date Written	Friday 10 th September 2021
Report Author	Chief Officer, Community Regeneration
Service Area	Community Regeneration
Committee Date	21 st September 2021

To: Chair, Ladies and Gentlemen

Issues Arising as a Result of the End of European Funding

1.0 SUMMARY OF THE REPORT

- 1.1 The UK's decision to leave the European Union (EU) has had a momentous impact on the political and economic landscape of the UK. A number of large questions loom over the future including the position in relation to EU law, future trade agreements, and the prospect of diminishing EU funding. Such large policy decisions will shake up the governance framework and will have a significant impact on local government, including its funding and the legal framework in which it must operate.
- 1.2 It is anticipated that the implications for Merthyr Tydfil County Borough Council will be significant. This report will identify the primary issues arising from these changes in relation to the services for which the Chief Officer for Community Regeneration is accountable.
- 1.3 It is proposed further work would need to be undertaken to identify the wider implications of the end of European funding on a corporate basis.

2.0 RECOMMENDATION(S)

- 2.1 That the Committee receives the report and its content is noted and debated.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 Following the BREXIT referendum on the 23rd June 2016, the UK's decision to leave the European Union (EU) has had a momentous impact on the political and economic landscape of the UK, and more specifically Wales. A number of large questions loom over the future including the position in relation to EU law, future trade agreements, and the prospect of diminishing EU funding. Such large policy decisions will shake up the governance framework and will have a significant impact on local government, including its funding and the legal framework in which it must operate.
- 3.2 The aim of EU Structural Funds was to contribute to the realisation of the European policy of economic and social cohesion; the funding resources are used to reduce the gaps in development between EU regions plus raise the standards of living for their inhabitants.
- 3.3 The UK joined the UK in 1975 and, since this date, the Council has secured significant amounts of EU funding to enable delivery of projects which aim to support the regeneration of the County Borough's infrastructure; through both physical regeneration programmes and projects/programmes which helped the people of Merthyr Tydfil to develop their skills, knowledge and abilities to actively engage in the local economy.
- 3.4 Examples of the breadth of funding which has support the Council to deliver key services have been listed in **Appendix 1**. Additionally, an overview of other organisations across the County Borough which successfully secured European funding to deliver programmes can be found in **Appendix 2**.
- 3.5 This is the first of a series of three reports which are to be presented on the topic of the end of EU funding. The aim of the reports is to enable Members of the Regeneration and Public Protection Scrutiny Committee to understand the scope and scale of the challenges which will be placed on services for which the Community Regeneration Department is accountable for whilst considering the development of funding proposals after the EU funding has ended.
- 3.6 More specifically, this first report will **focus on the issues arising as a result of the end of EU funding**. Committee Members will be asked to share their views to further inform the work being undertaken by the department so that these might be considered when developing the plan for the future.

4.0 WHERE WE WERE

- 4.1 Socio-economic regeneration, through increasing employment activities, encouraging business growth and tackling social disadvantage, is an important service for Merthyr Tydfil County Borough Council and its partners. These activities contribute to local strategic aims in advancing Merthyr Tydfil's economic well-being and underpinning cross-cutting approaches to tackle deprivation that is still prevalent as a result of generational industrial decline.

- 4.2 From the time the UK joined the EU, Wales has been eligible to receive both European Structural Funds (ESF) and European Regional Development Fund (ERDF) to support socio-economic development. With higher levels of economic deprivation, the majority of areas across Wales have secured a significant amount of EU funding. This was because Wales was one of the socially disadvantaged countries in Europe. Many organisations in Wales have relied on EU funds in recent years for training programmes, skills programmes and large-scale infrastructure projects – all stable components of sustaining a buoyant, economic region.
- 4.3 In 2015, the Conservative Party called for the referendum which required residents with the UK to vote as to whether the UK should leave the EU. The outcome of this referendum (commonly called BREXIT) meant that the UK would leave the EU. The UK government and the EU have now agreed a deal on their future relationship. Transition agreements were developed and would be managed by the central government.
- 4.4 Funding was made available to the following entities in *Table 1* below where eligibility was confirmed. Non-profit and non-governmental organisations; young people; researchers; farmers; small and medium-sized enterprises; public bodies; and others. A cross section of organisations across Merthyr Tydfil have accessed EU funding. Some of the larger scale projects led by MTCBC to have received European funding support which the Council has been involved in over the last 20 years include:

Project/Programme	Date	Lead Body
Merthyr Tydfil Valleys Information & Technology Centre	2006	MTCBC
Merthyr Tydfil Voluntary Sector Key Fund	2003	MTCBC
Merthyr Tydfil Business Centre (Lifelong Learning Centre)	2006	MTCBC
Cyfarthfa Enterprises – a Social Economy Trading Model	2003	MTCBC
Merthyr Tydfil Action Partnership	2002	MTCBC
Merthyr Tydfil Business Support Package	2003	MTCBC
Merthyr Tydfil Town Centre Regeneration Project	2005	MTCBC
Penydarren Tram-road Walking & Cycling Project	2006	MTCBC
Pathways employability project	2003	MTCBC
Neighbourhood Learning Programme	2003	MTCBC
Neighbourhood Learning Centre	2005	MTCBC
Growing to Succeed	2005	MTCBC
Community Programmes	2005	MTCBC
New Pathways employability programme	2004	MTCBC
Genesis Employability Programme	2004 & 2006 until 2012	MTCBC
Job Match	2006 – 2012	BGCBC
Interreg VB SHARE Project	2012 - 2015	MTCBC
Bridges into Work	2009-2015	TCBC

Bridges into Work 2	2015 (currently operational)	TCBC
Working Skills for Adults 2	2015 (currently operational)	TCBC
Nurture Equip & Thrive	2018 (currently operational)	TCBC
Communities for Work	2015 (currently operational)	Welsh Government

Table 1

4.5 *Table 2* below outlines a number of additional projects / programmes which the Council has supported - but not led on over this period.

Project/Programme	Date	Lead Body
North Merthyr Regeneration Partnership	2006	3Gs Development Trust
Sustainable Management for Gelligaer & Merthyr Tydfil Commons	2005	Gelligaer & Merthyr Tydfil Commons Association
Out of School Hours Childcare Provision	2002 and 2005	Aberfan and Merthyr Vale Youth and Community Project
Raising Aspirations and Fulfilling Potential Project	2005	Gellideg Foundation
Gurnos & Galon Uchaf Community & Physical Regeneration Programme	2003	Groundwork Trust – Merthyr and RCT
Merthyr Tydfil Sustainable Business Park	2005	Groundwork Trust – Merthyr and RCT
Parc Taf Bargoed – Pobly y Lle project	2003	Groundwork Trust – Merthyr and RCT
Community Development via the Community Wardens programme	2004	Safer Merthyr Tydfil
Community Capacity Building Team (2 x phases)	2002 & 2004	Voluntary Action Merthyr Tydfil
Enhanced Employability training	2002 & 2005	Merthyr Tydfil College
The Oasis Youth Diversion Project	2002	Oasis, Merthyr Tydfil
Merthyr Media project	2006	University of Glamorgan C8
Interreg IVB COLLABOR8 Project	2008	South Kerry Development Trust (IRE)

Table 2

4.6 In addition, Table 3 below identifies a number of large scale programmes where Welsh Government acted as lead sponsor had a significant impact on Merthyr Tydfil. These include:

<ul style="list-style-type: none"> • Communities First programme; • ReAct redundancy support project; • Valleys Rail Strengthening activities; • Skills Growth Wales; • Genesis 2 employability programme; • Dualling of the A465; • Jobs Growth Wales programme; • Flood and Coastal Risk Management programme; • Arbed am Byth; • Job Match programme; • Digital Tourism framework; • Communities for Work • Communities for Work Plus • Rural Development Programme • Merthyr Tydfil Town Centre Regeneration Programme - ERDF 	<ul style="list-style-type: none"> • Heritage Tourism programme; • Sustainable Tourism programme; • Credit Unions; • Peer mentoring programmes; • Spatial European Team finding; • Enterprise Networks; • Business innovation support; • Valleys Regional Park; • Next Generation Programme fund; • Waste and Resources Action Programme (WRAP); • Knowledge Exploitation Capacity Den; and • New Business Start-Up programme. • SEWCED Programme • Taff Bargoed Regeneration Programme - ERDF
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Table 3

5.0 WHERE WE ARE NOW

5.1 *Table's 4 & 5* below depicts the large number of 'live' EU programmes that are currently operational across the Community Regeneration Department. The majority of those projects cited below are solely reliant on EU funding with the team going through the process of better understanding the ramifications of decreased service delivery, staffing costs (redundancies etc.) and skill shortages once all EU funding ends. These programmes are as follows:

ESF Funded Programmes:				
Programme Name	Programme Type	Current End Date	Value	Impact to date (as of the end of July 2021)
Bridges into Work 2	Employability Programme (25+)	30 th September 2022 (Project Closure until Dec 2022)	£2,616,269	118 people gaining employment 250 Qualifications achieved
Communities for Work	Employability Programme (16+)	30 th June 2022	£2,833,360	278 people gaining employment

Communities for Work Plus	Employability Programme for all	31 st March 2022	£1,926,000	479 people gaining employment
Nurture Equip & Thrive	Underemployment Programme	30 th September 2022 (Project Closure until Dec 2022)	£799,799	130 improved labour market situation
Working Skills for Adults 2	Upskilling Programme	30 th September 2022 (Project Closure until Dec 2022)	£2,494,523	1116 qualifications achieved
Inspire 2 Achieve	Preventative Programme	31 st October 2022 (Project Closure until Dec 2022)	£2,878,264	145 reduced risk of NEET 62 Qualifications achieved
Inspire to Work	Employability Programme (16-24)	31 st October 2022 (Project Closure until Dec 2022)	£2,132,332	63 people gaining employment 141 qualifications achieved

Table 4

ERDF Funded Programmes:				
Programme Name	Programme Type	Current End Date	Value	Impact to date (as of the end of July 2021)
Trail Gazers	Trails & Marketing Development	31 st July 2019 to 30 th June 2022	£275,000 for Merthyr Tydfil	Significant investment in trails infrastructure and marketing
SuNSE	Social Business Development	1 st April 2019 to 31 st March 2022	£280,000 for Merthyr Tydfil	Over x50 social businesses / groups supported.
YMCA	Building for the Future - ERDF	September 2021 – December 2022	£3.4m	Project not started.

Table 5

5.2 The loss of all EU funded programmes will have a huge impact on Merthyr Tydfil and our local communities. In addition, the Council could struggle to meet the emerging themes within the 15 year vision.

5.3 Many of the current programmes identified in the above 'tables' have been running in different guises over the last 20 years, and in doing so, have developed rapport and relationship with our various communities, businesses, third sector organisations and stakeholders. Unfortunately, should these imperative programmes cease fully once the EU funding ends then the Council needs to consider the potential, negative impacts cited below:

- The loss of a service area which has been a main contributor to the employability agenda locally as well as a range of corporate strategies i.e. RT&I Plan,
- x72 experienced support staff will be made redundant,
- Redundancy bill amounting to circa £291,000.00 with EU funding not picking up the full cost of this. It is important to note that ESF grant can only consider paying costs associated to the time worked on the programme. Therefore, the local authority would be picking up the cost for around 70% of the projected total cost mentioned above.
- Neighbourhood Learning Centre (NLC) currently houses various vocational training resources which simply will not run due to staffing issues. These include Carpentry, Plumbing, Plastering & ICT etc.,
- No community based delivery for up skilling,
- No community based employability mentoring and support (borough wide)
- No added value provision for future working with NEETS,
- Loss of a single response within the local authority for all employability related support to local people,
- No resource to service Economic Growth Partnership outputs,
- Lack of resource to the service which won't meet the demand of community benefit projects with new inward investors coupled with the offer of providing recruitment solutions for local people,
- No ability to positively contributing towards to driving down rates of unemployment,
- *No ability to create meaningful vocational learning that will upskill workforces for the future.*

5.4 At present, there is a distinct sense of uncertainty surrounding the future direction and priorities post EU funding in the UK and Wales in particular. There is un-surety regarding how UK Government will administer replacement funding and whether Welsh Government, as a devolved government, will be given finance to assist its own Council's. Importantly, the first instance of this 'political bypassing of finance' happened in April 2021 when the UK Government launched both their Community Renewal Fund (CRF) and Levelling-up Fund directly to specific Council's in Wales.

- 5.5 Merthyr Tydfil was chosen as one of one hundred towns across the UK that were eligible to apply for the CRF. Each of the towns were allocated a possible £3m to assist in the development of projects across their county boroughs. The timescales were extremely tight for such a large pot of finance with the majority of applicants struggling to complete the application and submit within the required timeframe. The Council quickly shortlisted and sent the successful applications to UK Government for assessment where they stated that they would let everyone know the result by the end of July 2021. **Disappointingly, the Council and the applicants are still yet to hear back from UK Government.**
- 5.6 In addition to the Council coordinating CRF applications from stakeholders we also had an opportunity to join a cohort of nine other South East Wales local Authorities in developing a project around regional employability. The project, led by Torfaen CC was submitted along with the other UK wide submissions, but similarly to above, we are yet to hear back from UK Government.
- 5.7 In relation to capital investment in Merthyr Tydfil Town Centre, Welsh Government are making efforts to provide significant levels of capital funding towards Town Centre Regeneration but this is not a replacement of ERDF Funding and is not at the same scale of investment.
- 5.8 There is still a lot of uncertainty regarding the lasting impacts of Covid-19 which is being exasperated by the lack of information coming from UK Government relating to the end of EU funding. At this point in time the Council are unable to anticipate what level of support we can provide. Considering this, the below bullet points capture some of the main areas of work that will still be prevalent next year and beyond:
- Employment rates and the proficiency of businesses will all have a negative impact on the economy,
 - The loss of EU funded programmes with no future plans for sustaining current resources will limit the impact the Council has on the economy moving forward,
 - Future support to upskill people into different sectors will be required,
 - Who will support those individuals that are on the furlough scheme, which in January 2021, was a staggering 3,973 people in Merthyr Tydfil & Rhymney.
 - Future support will be required should any furloughing scheme continue with businesses subsequently suffering due to further impacts of covid-19 restrictions,
 - Welsh Government increased resource capacity within the current employability team to support more people affected by the pending end of furloughing,
 - Local people will need to retrain to be able to work in different sectors,
 - There will be a distinct skill shortage and targeted training across Wales and the UK i.e. haulage drivers, chefs etc.
- 5.9 With any funding programme that employs staff there is always a risk staff leaving to secure other roles. Considering this, the Council runs the risk of potentially losing our EU funded staff; a majority of which are highly skilled and proficient in their own respective areas. This significant loss of experienced and qualified resource will also have a negative impact on the Council's objectives set-out in our RT&I Plan.

5.10 Naturally, the negative impacts of the end of EU funding is far wider than the services that the department provides. For example, the majority of the employability services have embedded working practices into non-traditional local authority areas of work. Below are a number of practical cases of interdepartmental working:

- Using Communities for Work staffing resource to locate NEET young people with a view to supporting and offering options of engagement,
- The use of a dedicated employability resource within the Children Looked After Team that focuses on offering support for learning and employment,
- More recently, the department has been using our own staffing resource within the Neighbourhood Learning Centre to offer year 11 pupils an alternative curriculum.

6.0 WHERE WE WANT TO BE

6.1 The Council should be in a position where we fully understand what the next phases of funding are i.e. Shared Prosperity Fund. We should also understand what their priority areas are, whether finance is competitive or allocated and how the Council can access those pots of finance from the likes of UK Government or whether that it will be filtered down to Welsh Government.

6.2 Through the development of the Council's new Economic Recovery Plan we will be in a position where we will know what the priorities are for the people of Merthyr Tydfil and have thematic action plans which are focussed on achieving set outcomes.

6.3 The Community Regeneration Department has a broad understanding of the various EU funding streams that we have managed over the years. However, there is a belief that we should better understand the full extent of EU funding across the Council as well as that of our localised stakeholders.

6.4 The department will continue to undertake our diagnostic reviews of all sectors in Merthyr Tydfil in order to ensure that we fully understand the needs of the business community and where our priorities should be in ensuring that they are fully supported.

6.5 There is a specific requirement where we should consider the long-term sustainability of the employability provision and we need to consider the over reliance on external funding for that provision.

6.6 The department will continue to meet our corporate objectives as well as continuing to be at the forefront of delivering our 'employability' objectives ensuring that the provision is accessible to all.

6.7 The Council will continue our partnership approach where we will continue to work with our colleagues in other local authorities to develop South East Wales regional plan around 'employability'.

6.8 We will continue to develop relevant physical regeneration masterplans aligned to physical regeneration to ensure that we maximise the impact of such potential projects like Hoovers (as well as others).

7.0 WHAT WE NEED TO DO NEXT

7.1 The Community Regeneration Department will initiate an exercise where we will explore the full extent of EU funding across the Council as well as the funding associated with our external partners. This in turn will give the Council a complete understanding of how vital EU funding is for the county borough and the extent of what potentially needs to be replaced thereafter.

7.2 We will continue to liaise with both UK and Welsh Government to ensure that the Council fully understands the priorities and timescales associated with any future funding streams such as the Shared Prosperity Fund as well as others.

7.3 The department will continue to undertake our various thematic diagnostics assessments as well as speak with local businesses to ensure that we are fully informed of current business needs.

7.4 We will continue to share information internally across all Council departments which has worked extremely well since the Covid-19 pandemic.

7.5 The department will consider our current position with a view of developing our employability aspirations in relation to the Council's 15 year vision to ensure that our objectives are both achievable and sustainable.

7.6 We will continue to monitor the local landscape so that the Council fully understands the socio-economic impact of the current Covid-19 pandemic where we will consider hardships surrounding unemployment, workless households, furlough etc.

7.7 The department will continue to represent the Council at all skills partnership working groups across the Cardiff Capital Region.

ALYN OWEN
DEPUTY CHIEF EXECUTIVE / CHIEF
OFFICER: COMMUNITY REGENERATION

COUNCILLOR GERAINT THOMAS
DEPUTY LEADER / PORTFOLIO
MEMBER FOR REGENERATION;
TRANSFORMATION, &
COMMERCIALISATION

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
List the Background documents which have been relied on in preparing the report. E.g. previous minutes of relevant committees		
Does the report contain any issue that may impact the Council's Constitution?		