

SCRUTINY COMMITTEE REPORT

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Service Area	Community Regeneration
Committee Date	25 January 2022

To: Chair, Ladies and Gentlemen

Issues and Implications 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 In the second report on this topic, the Committee sought information on the issues which would be faced as a result of the end of all forms of European funding might have on our communities. The report contains information on a fact-finding exercise undertaken with a number of key-stakeholders regarding broader possible impacts of the change in funding.
- 1.4 Members also requested an update on the current position regarding the Community Renewal Fund (CRF); UK government's 'Levelling Up' funding and the proposed Shared Prosperity Fund (SPF).

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 For this second report, the aim of the report 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.
- 3.3 More specifically, this first report will begin to outline the impact of the change. Committee Members have requested a report on the issues which could be faced as a result of the phasing out of European funding and the effect this will have on our local communities. Members are also keen to receive an update on the current status of the Community Renewal Fund; UK government's 'Levelling Up' funding and hopefully gain an insight into what the focus of the proposed Shared Prosperity Fund will be.
- 3.4 Committee Members will be asked to review the content of the report and consider the proposed plans moving forward; supporting officers by further informing the work being undertaken by the department when developing future plans.

4.0 WHERE WE WERE

- 4.1 Socio-economic regeneration, through increasing employment activities, encouraging business growth and tackling social disadvantage, is a critical element of the services delivered by 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. Many organisations in Wales have relied on EU funds in recent years for training programmes, skills development programmes and large-scale infrastructure projects – all stable components of sustaining a buoyant, economic region.
- 4.3 Funding was made available to 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.

4.4 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 are being managed by the central UK government.

5.0 WHERE WE ARE NOW

5.1 Tables 1 and 2 (below) depicts the large number of 'live' EU programmes that are currently operational across the Community Regeneration Department as well as other services across the Council. 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) Profiling for extension submitted (2023)	£2,616,269	118 people gaining employment 250 Qualifications achieved
Communities for Work	Employability Programme (16+)	30 th June 2022 Awaiting new profile from WG (end date 2023)	£2,833,360	278 people gaining employment
Communities for Work Plus	Employability Programme for all	31 st March 2022 (Indication to be extended for another 3 years)	£1,926,000	479 people gaining employment
Nurture Equip & Thrive	Underemployment Programme	30 th September 2022 (Project Closure until Dec 2022) Profiling for extension submitted (2023)	£799,799	130 improved labour market situation

Working Skills for Adults 2	Upskilling Programme	30 th September 2022 (Project Closure until Dec 2022) Profiling for extension submitted (2023)	£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 1

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 2

- 5.2 The loss of all EU funded programmes will have a huge impact on Merthyr Tydfil and our local communities. In addition, the impact of the loss of European funding would impact on the Council being able to meet the emerging themes contained within the 15 year Economic Vision that was approved by Full Council on 3rd November 2021.
- 5.3 Many of the current programmes identified through the teams research 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; 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 To establish the broader implications which might be felt across the County Borough; an exercise has been undertaken with some of the Council's key stakeholders to develop a clearer picture' on the impact this would have on agencies/services across the County Borough. The table below depicts the level of finance lost and range of projects that could cease without alternative arrangements for funding moving beyond 2023. The key findings of this exercise were identified as:

Stakeholder information				
Programme Name	Programme Type	Current End Date	Value	Impact to date – Outcomes (as at the end of Sept 2021)
Tydfil Training – Active Inclusion	54+; carers; jobless households; low skills; work limiting health conditions	31/12/21	£72,000	52 jobs 121 qualifications
Tydfil Training – Active Inclusion	18-24	30/06/2022	£51,000	20 jobs 76 qualifications

Tydfil Training Apprenticeships; traineeships	16+		No exact indication of ESF contribution for 2020/21 but in region of £100k	Circa 30 apprenticeship opportunities if funding reduced accordingly
Citizen Advice Merthyr Tydfil – Active Inclusion. You're Hired!	Over 25s. Low Skills; work limiting health conditions	April 18-Jan 2019	£41,490.20	Total participants engaged – 5 Total participants into employment – 2 Total participants into volunteering - 2
Citizen Advice Merthyr Tydfil – Active Inclusion. You're Hired 2	Over 25s. Low Skills; work limiting health conditions	Oct 18-Dec 19	£74,422.75	Total participants engaged – 9 Total participants into employment – 6 Total participants into volunteering - 1
Citizen Advice Merthyr Tydfil – Active Inclusion. You're Hired 3	Over 25s. Low Skills; work limiting health conditions	Jan 20-March 21	£117,971.00	Total participants engaged – 15 Total participants into employment – 12 Total participants into volunteering - 3
Citizen Advice Merthyr Tydfil – Active Inclusion. You're Hired Youth	18-24 year olds - Youth	30/06/22	£81,905.50	Project in progress 10 participants engaged to date 6 into employment to date 1 into further education to date
Citizen Advice Merthyr Tydfil – Active Inclusion. You're Hired 4	Over 25s. Low Skills; work limiting health conditions	30/06/22	£119,984.21	Project in progress 9 participants engaged to date 5 into employment to date
Citizen Advice Merthyr Tydfil – Active Inclusion. You're Hired 5	Over 25s. Low Skills; work limiting health conditions	30/9/2022	£79,984.56	New project started October 2021.
MTIB – Mantais Active Inclusion	25+, 54+, economically inactive or long term unemployed; Jobless household; low skills; work limiting health conditions	31/03/22 – possible extension to 30/09/2022	£400,000	Project started 01/03/2020 Outcomes to 01/10/21 Engagement: 61/82 Qualifications: 25/33 Positive outcomes: 36/58 Progression routes: 24/58

MTIB – JobSense WEFO project in collaboration with Elite SEA, COS and Agoriad Cyf	25+, economically inactive or long term unemployed, sensory impaired – hearing loss and visual impairment	30/06/2023	£200,000 (for MTIB)	Project started 01/09/2021 1 job outcome achieved by MTIB to date (01/10/21)
The College Merthyr Tydfil	Upskilling at Work	31/07/2023	£1,757,372	Starters: 262 Completers: 167
The College Merthyr Tydfil College	Inspire2Achieve	31/12/2022	Gross Value* £1,963,000	Starters: 467 Into Education/Training: 147 Reduced Risk of Becoming NEET: 181

Community Renewal Fund; UK Government’s Levelling Up and Shared Prosperity Funds

- 5.5 At present, there remains a distinct sense of uncertainty surrounding the future direction and priorities post EU funding in the UK, and Wales in particular. There remains limited 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 support programmes.
- 5.6 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 rather than through each of the respective devolved national governments.
- 5.7 Merthyr Tydfil was chosen as one of a 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. **The Council and the applicants faced significant delays in receiving feedback on whether they had secured funding from UK Government.**
- 5.8 In early November 2021 (three months later than originally scheduled), UK Government announced all of the successful CRF projects from around the UK - three months later than originally scheduled. From the six applications submitted from Merthyr Tydfil four were successful which had a total grant value of just over £1.9m. Below are the successful organisations and descriptions of each project:

ORGANISATION:	DESCRIPTION OF PROJECT:
British Institute for Geological Conservation (BIGC) – Based at Cyfarthfa Greenhouses	Merthyr’s Roots Project will raise awareness of and encourage greater, sustainable use and healthy exploration of the wonderful local heritage assets (both natural and cultural). This pilot project has two distinctive yet complementary elements, a garden/hub and an education/training service, which together can be used as tools to reintroduce schools, communities and stakeholders to their local heritage landscapes and help local people become better global citizens.
H Factor Group Cyf	The project will focus on 50 funded work placements of up to 20 weeks in renewable energy, and land management, working with small businesses in the area to promote growth in the renewable energy field. It will create a supply of skilled workforce in an area of growth currently facing a vast skills shortage, both locally and nationally.
Merthyr Tydfil Leisure Trust	To enable local and regional partners to work together to establish a CITP for Merthyr Tydfil residents. Arts Venues will work with Universities, Colleges, Schools and Creative’s to pilot a new way of working across boundaries. The aim of the project is to develop new initiatives by supporting them with training and learning opportunities as well as space to facilitate this process.
Tydfil Training Consortium Ltd	The project will develop number of entrepreneurial interventions across the width and breadth of Merthyr Tydfil, driven by an ethos of stimulating enterprise awareness and employment opportunities for local people and businesses. The project will scale up Meanwhile, test trading, 1-2-1, building energy efficiency assessment principles locally.

- 5.9 In terms of the shared prosperity fund there still hasn’t been any substantial information shared on what the programme will look like, what the focal points (or themes) will be and importantly, how it will be administered. The Community Regeneration Department will continue to meet with our colleagues from UK Government as part of our CRF Monthly Meetings to hopefully become better informed of progress on the programme going forward.
- 5.10 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. The pilot programmes for MTCBC will focus on the development of an Intermediate Labour Market that allow residents to access employment opportunities in Tourism and Hospitality and also another pilot programme to support ex-offenders to develop links with employability prior to release with a view to developing a plan of action which provides a clear strategy of engagement following release from prison.
- 5.11 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.

5.12 There is still a lot of uncertainty regarding the lasting impacts of Covid-19 which is being exacerbated 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.*

5.13 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.

5.14 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.*
- *Loss of Employability resource to meet future recruitment solutions for new inward investment*

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 At this point in time there needs to be a focus on securing extensions to as many possible programmes that are currently running. This will allow maximum time allowed for further announcements of future funding from Welsh Government and UK Government.
- 6.3 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. This would be supported with the publication of the refocused Cwm Taf Morgannwg Wellbeing Assessment, a key data/information resource produced by Cwm Taf Morgannwg Public Services Board, currently being developed.
- 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).
- 6.9 In terms of our four successful CRF Projects there is a view that all four will be successful and be able to demonstrate some form of socio-economic impact for Merthyr Tydfil. In addition, the Council will facilitate the evaluation of all four projects in order to capture the full impact of the £1.9m of funding which will hopefully be used to potentially influence the SPF once the programme is launched.

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 We will seek extensions for current ESF Employability provision for all programmes. This work is underway.
- 7.4 We will focus on the delivery of Community Renewal Fund and provide information on outcomes that will inform potential future delivery programmes coming from UK Government
- 7.5 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.
- 7.6 We will continue to share information internally across all Council departments which has worked extremely well since the Covid-19 pandemic.
- 7.7 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.
- 7.8 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.
- 7.9 The department will continue to represent the Council at all skills partnership working groups across the Cardiff Capital Region.

8.0 CONTRIBUTIONS TO WELLBEING OBJECTIVES

- 8.1 The work undertaken in delivering these services funded via European funding have formed a key element of the Community Regeneration team's response to the Council's Working Life well-being objective.
- 8.2 This work also supports the achievement of the Best Start to Life, Environmental Wellbeing and Living Well objectives outlined in the Council's Corporate Plan (Focus on the Future: wellbeing in our community)

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BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Issues Arising as a Result of the End of European Funding	21 September 2021	MTCBC Website
Does the report contain any issue that may impact the Council's Constitution?		