**MEETING OF THE REGIONAL INVESTMENT FOR WALES STEERING GROUP**

**Date:** 18 July 2019

**Time:** 10.30 – 13:30

**Venue:** Metropole Hotel, Llandrindod Wells, Powys, LD1 5DY.

##  Introduction

1. The Chair welcomed the members to the third meeting of the Regional Investment for Wales Steering Group, and introduced the Counsel General and Brexit Minister, Jeremy Miles AM, as a guest speaker and attendee for the meeting. A list of attendees is at Annex A.

## Minutes of the Previous Meeting

1. The Chair asked if members had any comments on the minutes from the previous meeting held on 2 May 2019.
2. The members agreed the minutes, which would subsequently be published on the Welsh Government’s web pages.
3. The Chair also highlighted a document “Summary of comments by members to Welsh Government proposals and resulting actions”, which summarised members’ comments made during the meetings and subsequent actions. As it is a ‘live’ document and for members’ benefit, the document would not be published on the web pages.
4. Members were content with the document and did not propose any amendments. The Chair noted that the document would continue to be updated for consideration at future meetings of the Steering Group.

## Address by Counsel General and Brexit Minister, Jeremy Miles AM

1. The Chair introduced the Counsel General and Brexit Minister (CG&BM) to inform members about how the Steering Group’s work had been received by Ministers so far.
2. The CG&BM raised the following key points as part of his address:
	1. The Counsel General thanked members of the Steering Group for their commitment and work so far, for the support of the organisations across Wales that would be able to speak with one voice on what regional investment means and needs to do for the people of Wales. There is a strong commitment from the Welsh Government (WG) towards co-production and this Group provides a way to lever in further stakeholder engagement.
	2. He restated Welsh Government positions with respect to the UK Government’s proposed Shared Prosperity Fund; namely, in line with our devolution settlement that the WG must retain autonomy for the development and delivery of successor arrangements and should receive replacement of EU funding in full. The CG&BM also recognised the wider context surrounding this work, including the presence of other funding uncertainties arising from Brexit and the development of new agreements, which will help to co-ordinate those policies which need a cross-UK footprint: those new Framework Agreements are in development now in many areas.
	3. The CG&BM noted that the Steering Group’s recommendations had been discussed by Cabinet, following which Cabinet agreed a set of key areas for future regional investment that would provide a solid basis to help the Steering Group and newly established sub groups to take forward the detailed work required to prepare a consultation document for launch in early 2020. These key areas were set out in a joint Written Statement (Annex B) issued by the CG&BM and Minister for Economy and Transport earlier that morning. The four broad areas agreed by Cabinet are:
		1. Reducing income inequalities for people, including investigating the factors leading to income inequality and lower disposable income.
		2. More productive and competitive businesses, including the vital role of innovation and research as well as alternative business models.
		3. Supporting the transition to a zero-carbon economy, taking advantage of the opportunities this creates as well as reducing negative effects.
		4. Supporting healthier and more resilient communities, recognising different challenges in different communities.
	4. The CG&BM also recognised the importance of embedding certain themes of social and environmental sustainability, such as the cross-cutting themes in the current European programmes, in future arrangements; and of having delivery approaches with the right mix of national, regional and local planning and delivery which would be able to deliver outcomes for all parts of Wales. He recognised the size of the challenge, and the work still needed to be done going forward as we approach the end of the current period.
3. Comments from the Steering Group included:
	1. While there is support for a regional and local de-centralised approach, the new Common Frameworks should be designed with the input of Local Government partners as local authorities are often responsible for the majority of implementation activity under Common Frameworks.
	2. Some bodies, such as universities, operate at both national and regional levels, and can deliver for a region whether they are based in that region or not. It was suggested there should be a flexible approach to delivery to allow for cross border and International working.
	3. There was a strong consensus from members rejecting the UK Government’s approach to the Shared Prosperity Fund. One issue raised in particular was around the misalignment of UK policies with desirable Welsh polices, including those on fair work and in-work poverty.
	4. Capacity issues exist at regional and local levels, which the new delivery model will need to address.
	5. The CG&BM was asked how Wales would contribute to the UK strategy if the UK Government decides to introduce a UK-wide SPF and what our plan for ensuring that our priorities are included would be.
	6. The principles being proposed in the new approach for regional investment involve a new way of working. Subsequently, businesses and organisations will have to also change their behaviours to match the aspirations that these principles are keen to instil. We cannot expect WG to successfully work differently if business and other sectors keep working the same way, and this issue should be considered as part of the capacity-building agenda.
4. The CG&BM responded to Members’ comments, noting:
	1. In relation to the UK Government’s development with Devolved Administrations of new Common Frameworks for the UK post Brexit, each of those Frameworks are progressing at different paces and often from within different portfolio areas. The CG&BM recognised that stakeholder involvement in the process may be lacking, but referred to some work on improving this in respect of a framework covering hazardous substances.
	2. Having flexibility in how regional investment is delivered is essential, and it is important we build on the success of cross border working shown through programmes like Horizon 2020.
	3. Under current devolution laws Wales should have control over regional investment arrangements and be able to ensure our principles and policies are at the core of this work.
5. The Chair thanked the CG&BM, noting the importance of leadership and momentum behind this work, and how seriously WG is taking this matter.

## Discussion: Design principles

1. The Chair noted that this paper is being presented in response to members’ request at the last meeting for further work to be undertaken to extract key principles from the literature review on effective regional policy, OECD best practice, lessons learned from implementation of previous EU Structural Funds programmes, and the 21st Century Schools programme.
2. The Chair invited Tom Brown to introduce the paper, who noted that the comments raised during previous meetings were reflected in this draft and that the intention now was to take these key principles to the sub groups over the next few months for consideration in more detail. Summaries of those discussions will be brought back to members of this Steering Group for consideration in due course.
3. Comments from members included:
	1. This paper was a useful development on previous papers. New funding arrangements outside of the EU will mean needing to be able to make difficult choices, and we need both courage to make them and a system which supports that process. There is a danger that if we spend too long trying to maintain balance, we may achieve more modest outcomes rather than if efforts were made in more targeted areas.
	2. It will be vital to the success of a new scheme to build trust and confidence, engaging with people with a consistent message to ease the transition to making those tough decisions. This Steering Group is a good start toward that aim, but a focus on openness, transparency (especially in terms of transparency of the scheme’s actual operation once it is in place), and giving citizens a voice will need to remain a focus as the work progresses.
	3. There was agreement that a simple set of messages that Group members can take to their own engagements with stakeholders would be very useful. There needs to be a constant theme in these messages of collaboration to help build partnership working. The ineffectiveness of the involvement of, and engagement with, the public on European funding programmes is a major lesson to learn.
	4. The question was raised of who has primacy in a case of difference of opinion between national, regional, or local level bodies in particular areas, as this already causes confusion under the current system. The definition of ‘local’ is not clear at present either.
	5. There was a suggestion of using a testing pool of operations to test the system before launching the project.
	6. There was support for greater acknowledgement in the paper of the needs and opportunities of rural areas.
	7. Are infrastructure challenges – such as broadband, roads, mobile phone connectivity – regional issues or a part of projects which are to be run at the national level?
	8. It was good to see working link to equality legislation. This issue should stand as a cross cutting theme and be brought out more.
	9. Ensure that Ireland and Scotland are included in our cross-border working, for example, West Wales is much closer to Ireland than England.
	10. Could we find a way of setting the proposed Welsh Social Partnership legislation and fair work objectives into the framework?
	11. The issue of accountability for funding decisions was raised. It was suggested that the accountability should sit with those that make decisions of whether a project receives funding or else the work to make ‘good’ decisions dissipates.
	12. It was pointed out that the decisions being made will end up disappointing one party or another, and we should work to engage with people to ease acceptance of the decisions. Having these good design principles will pave the way for good decisions. The sub groups will be able to help with this work going forward.
4. The Chair reiterated that members of the Steering Group had an important role to play in discussing these issues and key principles with the sectors they represent so that a wide range of people are engaged and understand the reasons behind the decisions being made.
5. The Chair asked for any further comments on the paper to be sent to the secretariat.

***Action: A revised paper, addressing members’ comments as far as possible, to be circulated after the meeting***

## Presentation: OECD Study Visit

1. The Chair informed members that the OECD visited Wales during w/c 24 June to meet and receive feedback from Government officials and a wide range of sectors. The Chair also noted that a special meeting of this Steering Group with the OECD took place on 27 June.
2. The Chair introduced Sheilah Seymour to give a presentation on the work that’s being done in partnership with the OECD and the Welsh Government’s perspective on the key themes emerging from the discussions the OECD had during its study visit in June.
3. A copy of the presentation will be published on the Welsh Government’s web pages. Sheilah advised that following the study visit the OECD had shared a report on ten guidelines for effective decentralisation conducive to regional development; the report can be found via this link:

<https://www.oecd.org/regional/making-decentralisation-work-g2g9faa7-en.htm>

1. Comments from the Steering Group included:
	1. At the OECD meeting, a member had hoped that issues around complexity and delivery approaches would have been discussed in more detail. Complex systems can work, so long as there is clarity of the ‘who’ and the ‘how’ in decision-making, and of the roles and responsibilities of participants. One way to ensure this clarity is to design the system so that the discussions over a decision (for example, with a project team submitting a bid) are not held separately to the decision-making process itself. Discussion within the group challenged that approach, however, saying discussion is needed before decisions are made.
	2. Recognition that the OECD are in the early stages of their project and that meetings have so far happened in Cardiff, but that it is very important for the OECD to visit other areas of Wales to see the regional differences. Sheilah responded that the OECD will be looking to visit other Welsh regions on future visits to Wales.
	3. On the issue of complexity, members noted that simplicity helps to engage people as they can more easily understand the principles on which investments will be made and more easily see the difference their contributions make toward shared outcomes.
	4. Things can go wrong if bodies, investors, regions and government are asked to do things which they are unable to do or if they have insufficient capacity. It is important to look at what is tried tested and proven to have benefits.
	5. We must look to learn from the EU funded programmes and involve and engage people wider than those who sit on focus or sub groups etc. But what we do shouldn’t be at the expense of accountability or the democratic process.
	6. There was discussion around how the five case business model and Green Book training may be useful tools for implementing investment principles in practice.

***Action: Five Case Business Model / Green Book models to be considered at a future meeting***

## Presentation: Regional Economic Frameworks

1. The Chair introduced David Rosser, Chief Regional Officer for South East Wales, to deliver a presentation on the work underway to develop Regional Economic Frameworks, as part of the Welsh Government’s Economic Action Plan (EAP). A copy of the presentation will be published on the Welsh Government’s web pages for information.
2. Key points made during the presentation were:
	1. The Chief Regional Officer’s (CRO) role is to join up work across the regions where feasible and beneficial, supporting engagement through WG and Local Authority partnerships and structures.

* 1. A key driving force for the development of regional economic frameworks, and identifying the risks for each region as a result of Brexit, is engagement and co-production. CROs are working with stakeholders including business sectors in the regions to develop this policy and are aiming to create capacity for more regional collaboration.
	2. We are not starting from scratch, as many strategies and plans already exist at local and regional levels and part of this work is about linking them up to develop regional collective working plans, and a single vision for economic development within a region.
1. The Steering Group made the following comments:
	1. The regional economic frameworks should take into account other investment programmes and funding streams across WG and UK sectors. It should be about defining priorities within the regions, and providing the context of a consistent picture of what is happening across each region so that areas for further investment can be identified.
	2. The number of regions was raised, as some WG strategies reference four regions while the EAP focuses on three regions. DR confirmed that the regional economic frameworks will align with the EAP’s three region model, but will need to recognise the differences that exist within each region.
	3. There are areas of research and innovation which will work better on cross border or more joined up levels. In this context, would the UK Government’s proposed SPF adequately replace the work of Horizon 2020? Work is already underway in the UK on issues involving marine, aerospace, battery use manufacturing due to the capital investment needed in these fields. It is important Wales works closely with the UK on these issues to avoid duplication and maximise impact.
	4. Through our fair work approach, our investments in employment must provide benefits for work where the health and work/life benefits for staff are taken into account. A business based in the local community does not mean that it provides community benefits other than just jobs; it is important we engage and invest in organisations which provide the right and fair type of jobs.
	5. When considering how we invest, it is important we also engage with older people and young people who are not employed.
2. David Rosser responded with the following comments:
	1. We are looking outside for investment which will be commissioned on an evidenced based approach to validate any investment. It has previously invested in businesses and at academic levels based on the evidence that was undertaken. Evidence is looking at forward skills needs and have international companies approaching us based upon the work we’ve done with the future in mind. An additional comment from the floor was that in this scenario business managers should be given the authority of saying no, which gives them the cover to have those challenging conversations with potential investees.
	2. Alison Sandford is looking at citizen engagement as part of consultation work around the future of regional investment in Wales. Working with CROs and their teams will also be an important part of this work, so that messages are joined up.

## Discussion: Regional planning and delivery

1. The Chair invited Tracy Welland to introduce two papers to support this discussion.
2. Firstly, a paper summarising findings and lessons learned from reviews of the Local Enterprise Partnership model and the Local Growth Fund that operate in England. This paper was requested by members at the last meeting, following a broad discussion of different regional models in the UK.
3. Secondly, a paper summarising recent developments on regional working as announced by the Minister for Housing and Local Government, which captures the work undertaken jointly by the Welsh Local Government Association and the Welsh Government.
4. It was explained that these papers also included some emerging thoughts on principles that could guide the direction of travel on regional working and to steer the work of the implementation sub group.
5. The Steering Group provided the following comments:
	1. Other models such as the Mayoral Combined Authority approach in England should be considered as an approach as opposed to LEPs, given the implementation issues that have been highlighted in reports on LEPs to date.
	2. The issue of complex structures was raised and that the contributions of LEPs are difficult to isolate from other contributing factors. However, this is a feature of outcomes-focused approaches which may need to be accepted to some extent, especially where objectives are for the long-term.

***Action: Secretariat to consider the combined authorities model in England in looking at approaches to regional working***

## Discussion: 2021-2027 EU Structural Funds

1. The Chair noted that of the many scenarios which need consideration is the possibility that we remain part of the EU framework in the future. Welsh Ministers are pressing for a referendum on any deal or on a no-deal Brexit and have signalled their intention to campaign for remain.
2. In an EU remain scenario, or even in the event of a protracted delay to Brexit, there is the possibility that our work will need to pivot to align with the 2021-2027 EU structural funds framework.
3. The Chair introduced Tom Smithson to provide an overview of the possible implications of staying in the EU in respect of future funding:
	1. WG are considering a wide range of possible scenarios. The emphasis of work has been on managing the implications of a no-deal scenario, but some limited work has involved monitoring EU negotiations on the next round of EU funding both in terms of learning form the EU best practice and should the UK not leave the EU.
	2. Negotiations in Brussels continue on the 2021-2027 Multi-Annual Financial Framework, with the EC still aiming for agreement later this year. Experience would suggest negotiations will continue into 2020, particularly given delays to Brexit and related uncertainties. Negotiations on the structural funds regulations are well advanced, with significant parts agreed in principle.
	3. We are feeding in our experiences and sharing our lessons learned as part of those negotiations, working closely with the UK Government which continues to participate in those discussions. The UK and WG are working constructively with the EU but we are unable to get involved in budget negotiations.
	4. Should the UK not leave the EU there are two potential bottlenecks which could cause delay if we needed to develop EU programmes:
		1. There is still a requirement for a UK partnership agreement. While this is much simplified from the current requirement, agreement on this document is required before any Welsh programmes can be agreed. The key element of that document will be reaching an agreement across the UK on how funding allocations will be divided across England, Wales, Scotland and Northern Ireland. We have held initial discussions with UK Government counterparts to highlight decisions which would be needed in early 2020 on potential work associated with this.

* + 1. Enabling conditions (previously known as ‘ex-ante conditionalities’). Current proposals are for fewer of them but they still include requirements for specific policy frameworks to be in place before funding is unlocked. An example is the need for a smart specialisation strategy, and related governance arrangements, before money for research and innovation can be drawn down. These are generally best practice and Welsh Government is carrying out a light-touch assessment against these conditions to determine whether there are any gaps (and therefore how long they would take to address).
	1. In terms of the new investment framework for structural funds, the EC are having similar conversations that we are having here in Wales; seeking simplification and more flexibility. For example, they have reduced the number of priority areas for investment. We have undertaken a brief mapping exercise against these areas compared to the priority areas discussed by this Steering Group in May.
	2. In broad terms the analysis underway to inform a new Welsh approach can be translated into the EU framework. The implication of moving to an EU approach is that it will be more restricted on what we can spend money on, and there will be less flexibility in terms of integrating investments within places. In terms of the regional delivery model much of it is still possible to do under the EU regulations under the same framework as we are currently designing.
	3. The EU is also looking to move to a more proportionate approach, including for audit, but these promises are made in each programme period.
	4. There will be a reduction on the maximum co-financing rates, reversing their loosening following the recession. There is also a renewed emphasis on the use of financial instruments, particularly in more developed areas. These positions align with those of the Steering Group to see more private sector leverage and a greater and more sustainable use of funding.
1. There was some discussion on the qualification criteria, with Members noting that if the UK was still in the EU it would be likely to qualify for significant additional funding. This is predominantly due to a decline in UK GDP relative to the rest of the EU, with seven UK regions now qualifying for the highest level of funding (as ‘less developed’) – the majority of those regions in England, and a new region of SouthernScotland (which is below West Wales and the Valleys in terms of relative GDP). Analysis was underway in terms of making the argument for replacement funding from the UK Government, with initial comparisons suggesting the decline in England is the result of increasing disparities within England (rather than between UK nations).
2. A Steering Group member suggested it would be useful for stakeholders to have a set of key messages in terms of negotiations on the EU Multi-Annual Financial Framework and related sectoral regulations. This would enable a consistent Welsh position to be advanced, given different stakeholder groups have different sets of contacts within EU bodies.

***Action – Secretariat to circulate key messages around the EU 2012/2027 Multi-annual Financial Framework to members***

## Update: Establishment of Sub-Groups (13:20 – 13:25)

1. The Chair noted that at the meeting on 2 May, the Steering Group agreed the proposal to establish sub-groups or technical working groups. These groups would take a steer from the discussions of the Steering Group and will work to develop the detail underneath.
2. The Chair introduced Alison Sandford to give an update on the progress made in setting up the technical working groups. The following points were made:
	1. The process for external membership of the sub groups was via self-nomination with details on how to apply published on our web pages. The application process was also circulated to RIWSG members, and was publicised via e-newsletters, including the EU funds, Wales Rural Network and Regional Engagement Teams. It was also promoted widely across Welsh Government so staff could inform the sectors they work with. The deadline for self-nominations was 11 July, with 44 applications submitted in total (9 HE/FE; 7 Third sector; 9 private; and 19 public).
	2. A review of applications is underway, and it is already clear that there are some gaps which need to be addressed so that we achieve the appropriate balance of sector representation, expertise and diversity. For example, there are no applications from groups representing the interests of young people or other under-represented groups.
	3. We are also mindful that sub groups need to have some members from outside of Wales if we are to learn lessons and share best practice from elsewhere.
	4. We will be populating the groups over the coming weeks, but while this is ongoing, we are still keen for first meetings of the sub groups to be held from early to mid-August so that work can get underway promptly.
	5. By the next meeting of the Steering Group in October, all of the sub groups will have held several meetings, so we will be in a position to provide comprehensive updates then.

***Action – RIWSG members to suggest contacts to Alison Sandford for consideration***

## Any other business

1. The Chair opened the meeting to any other business.
	1. A member asked for more detail on engagement plans for the project to be shared. The engagement strategy was presented at a previous meeting and has been published on the Welsh Government web pages. It was agreed, however, that plans to facilitate engagement among the citizen should be presented at a future meeting of the Steering Group.

***Action: Citizen engagement to be discussed at a future meeting of the Steering Group***

1. The Chair noted that the next meeting is scheduled for 10 October in Llanwrst, Conwy.
2. The CG&BM thanked members for their views and engagement, and noted that the next six months would be critical for progressing the project.
3. The Chair closed the meeting.

**ANNEX A**

**LIST OF ATTENDEES**

**Chair: Huw Irranca-Davies AM**

|  |  |
| --- | --- |
| **Organisation** | **Name and role** |
| Welsh Government | Jeremy Miles AM, Counsel general and Brexit Minister |
| Universities Wales | Amanda Wilkinson, Director |
| Growing Mid Wales Partnership | Cllr Rhodri Evans, Cabinet Member for Economy and Regeneration, Ceredigion Council |
| Wales Rural Network | Eirlys Lloyd, Community Partnerships/Food Centre Wales Manager, Ceredigion County Council |
| Grahame Guilford (independent) | Owner, Grahame Guilford and Company Ltd |
| Equality and Human Rights Commission | Hannah Wharf, Head of External Affairs |
| Colleges Wales | Iestyn Davies, Chief Executive of Colegau Cymru (on behalf of Lisa Thomas, Head of Merthyr College) |
| Higher Education Funding Council for Wales (HEFCW) | Dr Alyson Thomas, Director of Policy and Funding (on behalf of Bethan Owen, CEO HEFCW) |
| Federation of Small Businesses (FSB) Wales | Ashley Rogers, Director, Gill and Shaw |
| Third Sector Partnership Council | Phil Fiander, Deputy Chief Executive, WCVA (on behalf of Judith Stone, Assistant Director for Sector Development) |
| Welsh Local Government Association (WLGA) | Lowri Gwilym, Team Manager Europe and Regeneration |
| South East Wales Partnership | Nicola Somerville, Cardiff Capital Region City Deal (on behalf of Kelly Beirne, Director) |
| Wales Co-operative Centre | Derek Walker, CEO |
| Trade Union | Martin Mansfield, General Secretary, Wales TUC |

**Welsh Government attendees**

|  |  |
| --- | --- |
| **Name** | **Role and Department** |
| Peter Ryland  | Director, WEFO |
| Rachel Garside-Jones | Deputy Director, Employability and Skills, ESNR |
| Tom Smithson  | Head of Regional Investment Policy, WEFO  |
| Alison Sandford  | Head of Partnership Working, Regional Investment, WEFO |
| David Rosser | Chief Regional Officer for South East Wales, ESNR |
| Gwenllian Roberts | Chief Regional Officer for North Wales, ESNR |
| Huw Morris | Director, Skills, Higher Education and Lifelong Learning |
| Ann Watkin | Mid and South West Region, ESNR |
| Tracey Welland | Head of Strategic Implementation, Regional Investment, WEFO |
| Sheilah Seymour | Head of Research and Analysis, Regional Investment, WEFO |
| Tom Brown | Senior Policy Manager, Regional Investment, WEFO |
| Ashley Davis | Policy Manager, Regional Investment, WEFO |

**Apologies received**

|  |  |
| --- | --- |
| **Organisation** | **Name and Role** |
| Natural Resources Wales | Ceri Davies, Executive Director of Evidence, Policy and Permitting |
| Confederation of British Industry (CBI) Wales | Nick Speed, British Telecom |
| Professor Kevin Morgan (independent) | Professor Kevin Morgan, Governance and Development, Cardiff University |
| North Wales Partnership | Cllr Dyfrig Siencyn, Chair of North Wales Economic Ambition Board |
| South West Wales Partnership | Cllr Rob Stewart (Swansea); Cllr Emlyn Dole (Carmarthenshire); and Cllr David Simpson (Pembrokeshire) |
| Future Generations Commissioner | Professor Rachel Ashworth, Dean and Head of Cardiff Business School, Cardiff University |
| Welsh Government | Sioned Evans, Director, ESNR |
| Welsh Government | Marcella Maxwell, Deputy Director, Economic Strategy, ESNR |
| Welsh Government | Ruth Studley, Deputy Director, Rural Economy and Legislation |
| Welsh Government | John Howells, Director of Housing and Regeneration |
| Welsh Government | Andrew Clark, Deputy Director, Further Education and Apprenticeships |

**ANNEX B**

# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

|  |  |
| --- | --- |
| **TITLE**  | **Update on the Future of Regional Investment in Wales after Brexit** |
| **DATE**  | **18 July 2019** |
| **BY** | **Ken Skates, Minister for the Economy and Transport and Jeremy Miles, Counsel General and Brexit Minister** |

EU funding programmes have had a significant impact on the lives of people of Wales for over 20 years, supporting people into employment and providing the conditions for new and better jobs.

Since the referendum in 2016 we have sought to advance discussions with the UK Government on replacing this vital needs-based funding in Wales. Our frustration at the UK Government’s lack of progress and clarity since is shared by the National Assembly for Wales which passed a motion on 11 June reiterating the consistent calls from the Welsh Government and our partners.

We continue to press for not a penny less than we would have expected within the EU – simply asking for promises made to the people of Wales during the 2016 referendum to be honoured.

We are also calling for the Welsh Government to retain autonomy in the development and delivery of successor arrangements – simply asking for devolution, voted for twice by the people of Wales, to be respected.

Following the debate, the Minister for Finance and Trefnydd wrote to UK Ministers again on these points, and Welsh Ministers will continue to press for our long-held positions with the UK Government and with the new Prime Minister once in place.

In the absence of any meaningful debate to date on the future of this vital funding, the Welsh Government is maintaining momentum in the development of a future investment framework in Wales so that there is no gap in investment to businesses, people and communities.

While this work is contingent on our calls for full funding and autonomy to be met by the UK Government, we cannot wait if we are serious about developing successor arrangements in close partnership with stakeholders across Wales.

This statement provides an update on the work we have been undertaking with partners across Wales. We have taken on board a range of views, which has helped to inform the direction of travel recently agreed by Cabinet to steer further development work over the summer and autumn.

Over the last 18 months we have held detailed discussions on successor arrangements in Wales with stakeholders. We have had detailed and thoughtful contributions from Assembly Committees, in particular the External Affairs and Additional Legislation Committee and the Finance Committee. Our calls for replacement funding in Wales were set out in January 2017 in Securing Wales’ Future. We responded to initial views from stakeholders in December 2017 with proposals in our Brexit policy paper 'Regional Investment in Wales after Brexit'. We published an independent report on engagement linked to that paper in July 2018.

Last October, in response to those views from stakeholders, the then Cabinet Secretary for Finance, Mark Drakeford, announced the intention to work with the Organisation for Economic Co-operation and Development (OECD), and to establish a Regional Investment for Wales Steering Group (the ‘Steering Group’), chaired by Huw Irranca-Davies AM. This is intended to ensure that future arrangements are developed in genuine partnership and build on international best practice. The Cabinet Secretary for Finance also confirmed that replacement funding would be used for regional economic development and to tackle inequalities, would continue to be planned and delivered on a multi-annual basis, and would be more outcome-focused.

Discussions with our partners in Wales have continued, including through the Steering Group which has discussed and advised on areas such as policy scope, integrated outcomes, different delivery models, as well as wider engagement plans. The Steering Group has met twice so far, in February and May this year, and will be meeting again this week (18 July). We are being open and transparent about this work, and final papers and minutes are published [here](https://gweddill.gov.wales/funding/regional-investment-in-wales-after-brexit/riwsg/?lang=en).

Our work with the OECD is a two-year project to ensure international best practice on regional development and governance is built into our future plans. The OECD began their work in January and has recently completed a study mission to Wales to hear directly from government and stakeholders in Wales. We intend to hold a seminar by the end of the year to present early findings and obtain further feedback.

Cabinet has reflected on these discussions and has agreed a set of key areas covering priorities for future investment and a mix of national, regional and local delivery approaches. These are not the final words in these areas, but provides us with a framework to progress work with our partners over the summer and autumn. Subject to discussions with the UK Government, we aim to launch a consultation document in early 2020, in order to put in place successor arrangements from 2021.

We agree with our partners across Wales that the Well-being of Future Generations Act must be at their heart of our plans, and that we need to take this opportunity to integrate funding streams and policies to better tackle inequalities and support sustainable and inclusive growth in all parts of Wales.

We have agreed four broad priority areas to provide a focus for further development work, based on those discussed in the Steering Group. They have been designed to meet previous commitments for a more outcome-focused approach to regional investment, greater opportunities for integration, and a simpler and more flexible framework. Those areas are:

* Reducing income inequalities for people, analysing the factors that create income inequality and reduce disposable and discretionary income.

* More productive and competitive businesses, including the vital role of innovation and research as well as alternative business models.
* Transition to a zero-Carbon economy, taking advantage of the opportunities this creates as well as reducing negative effects,
* Healthier and more sustainable communities, recognising different challenges in different communities and the role of local areas in identifying priorities in their places.

We will work with our partners to look at the evidence in these areas and learn from what works. We will develop a set of outcomes in each area, suitable measures of success, and identify priorities for investment. There are areas like infrastructure and skills investment that will be important in all priority areas. We are also committed to maintaining a strong cross-cutting approach to equality, sustainable development and supporting the Welsh language.

Cabinet has also agreed that the delivery model we adopt must achieve the right balance between national, regional and local planning and delivery. Our priority areas will provide the basis for a national (all-Wales) framework to prioritise national investments (e.g. the provision of access to finance for businesses), which can contribute to a shared set of outcomes and create significant regional and local benefits. This national framework will remain flexible enough to allow for regional and local priorities to be identified.

At the regional level we want to see greater planning and decision-making within our regions. Cabinet has agreed to commit to the principle of some funding being allocated regionally and decentralised, in line with regional economic frameworks and reflecting the proposals for regional working. The work we are doing with the OECD and WLGA on regional working and governance will help us put in place the right structures and build capacity, so that regional bodies are able to manage funding effectively and are supported by representative partnerships. The regional economic frameworks under development as part of the Economic Action Plan can provide the basis for prioritisation of opportunities and needs in each region, in the same way the national framework will reflect national policy objectives.

Cabinet has also agreed that future development work for regional investment should develop a model for community-led local development, so that communities have a say in how investment is targeted within their local areas. This work provides an opportunity to build on experiences such as the LEADER approach under the Rural Development Programme.

The Steering Group will continue to meet and provide advice to Ministers on plans. To support this work, technical working groups, comprising external and internal experts, are being set up this month to look at specific issues in more detail. These include working groups on the national framework, implementation and delivery, research, monitoring and evaluation, and international and cross-border working (in particular with England).

We should not underestimate the challenge of replacing policy and funding arrangements in the area of regional investment in Wales. We need to build upon our shared experience, gained over several decades, of developing and implementing successful EU-funded investment programmes. We must also learn lessons, both positive and negative, from different approaches across the UK and internationally. There is a lot of work for us to do to develop successor arrangements for delivery in 2021, and the key areas agreed by Cabinet provides the focus of our further work with stakeholders in Wales.