



EU Funding to Wales after Brexit

Overview of the changes and implications of European Funding to
Wales within the context of the UK exiting the EU.

THE **WELSH NHS** CONFEDERATION
CONFFEDERASIWN GIG CYMRU



Introduction

Wales currently receives around £680 million per year in EU funding. This equates to £83 per person per year, considerably more than any of the devolved nations and English regions. There are a range of different funding programmes (Figure 1), but the [main schemes](#) that provide funding to Wales are:

- £295 million in EU Structural Funds from the European Social Fund (ESF) and European Regional Development Fund (ERDF);
- £274 million in direct payments to farmers from the Common Agricultural Policy (CAP);
- £80 million in funding from the Rural Development Programme; and
- £30 million in funding to smaller streams such as Horizon2020, EU Health Programme and Erasmus+.

Through the different EU funding programmes there has been millions of pounds given to support health research and innovations throughout Wales. The result of the referendum in 2016 and the possibility of a ‘no deal’ Brexit means that there is uncertainty around the future of European funding to Wales.

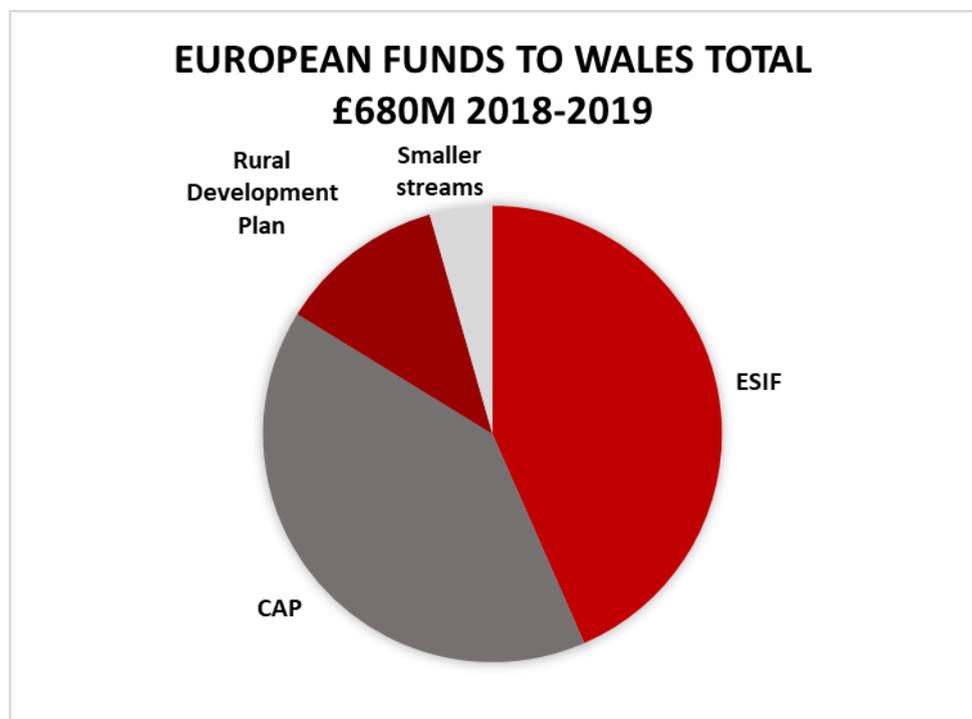


Figure 1: European Funds to Wales Total £680 million 2018-2019.

Statements from the UK Government

Planning for a deal

Under the [Withdrawal Agreement](#) negotiated with the EU, the UK will continue to participate in the programmes financed by the current EU Budget until their closure. This means that all EU funded programmes will be fully funded under the current 2014 - 2020 Multiannual Financial Framework.

Planning for a no deal

In the event that the UK leaves the EU without a deal, the UK will leave the EU Budget in October 2019. This will mean that UK organisations will no longer receive future funding for projects under EU programmes, such as the European Regional Development Fund and Horizon 2020, if the UK Government was not to take further action.

On 24th July 2018 the UK Government's Chief Secretary published a [Written Ministerial Statement \(HCWS926\)](#) which guaranteed funding for all successful bids submitted by UK participants before the UK exits the EU (31 October 2019), for the full duration of the projects. Also, within this Written Ministerial Statement the UK Shared Prosperity Fund, which will replace the EU Structural Fund, was announced.

The European Commission proposed in a [draft regulation](#) in January 2019 that the UK would be allowed to continue participating in EU Programmes until the end of 2019, with the purpose to *“avoid, or at least minimise, any unnecessary disruption for beneficiaries of EU spending programmes and other actions at the time of withdrawal”*.

Statements from the Welsh Government

The Welsh Government have concerns about securing and maintaining post-Brexit funding for Wales, as highlighted in the White Paper, [Securing Wales' Future](#), published in January 2017. In response to the National Assembly's Finance Committee report [Preparations for replacing EU funding for Wales](#), published in September 2018, the Welsh Government outlined that the level of regional funding that Wales should receive remain at least as high as the level it received from the European Structural Investment Funds, and that it should be administered by Wales rather than from Westminster.

Following a [debate](#) in the Assembly on 11th June 2019 the Minister for Finance and Trefnydd, Rebecca Evans, [wrote](#) to UK Government to clearly state that Wales “*will not accept any proposals which seek to bypass the devolution settlement or take back decisions and funding which has been under Wales’ control for nearly 20 years. Wales must not lose a penny because of Brexit.*”

On 18th July 2019, the Minister for the Economy and Transport and the Counsel General and Brexit Minister released a [written statement](#) reiterating significant impact EU funding has had on Wales over the last 20 years. The Ministers state “*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.*”

Breakdown of current EU funding mechanism and how the health and care sector in Wales might be impacted after Brexit

Horizon 2020

Horizon 2020 is Europe’s leading research and innovation funding programme. Over the last 7 years there has been over €70 billion (£63 billion) funding available to participants across Europe. Horizon 2020 couples research and innovation, focusing on excellent science, industrial leadership and tackling societal challenges. Horizon 2020 has funded a broad range of projects in Wales and across the UK, from furthering [Nano technologies](#) to funding [Marie Skłodowska-Curie Actions \(MSCA\) fellows](#) to work throughout European Universities.

The total amount of [Horizon 2020](#) funding that has been awarded to Wales in the last 7 years is €102.8m (£92.7m) to a total of 225 Welsh participants. In relation to health and care, [Welsh participants](#) have secured €2.01m (£1.81m) funding for health-related projects from Horizon 2020, for example Cardiff-based [TrakCel](#) has secured €420,000 to bring its expertise to a Horizon 2020 project to develop technology that could change the way cancer is treated. Newport based [SPTS Technologies](#), a Welsh anchor company, has secured over €130,000 to work on two Horizon 2020 projects aiming to break new ground in semiconductor technologies and pilot innovative new medical devices.

If the UK leaves without a deal

Guidance published by the UK Government on [28th June 2019](#) states that UK researchers and businesses would be able to apply to and participate in all those Horizon 2020 calls open to third country participants from the date of exit, with funding provided via the extended guarantee. Third country participation is a well-established part of Horizon 2020 - entities from third countries currently participate in and lead consortia in a wide range of collaborative programmes. However, third country participation does not extend to some Horizon 2020 calls; these include European Research Council (ERC) grants, some Marie Skłodowska-Curie Actions (MSCA) and the SME instrument. This is a concern as this year the ERC grants and MSCA funding have contributed the most Horizon 2020 funding to Wales (€6.7m and €6.4 respectively/ £6.1m and £5.8m). This summer saw Wales host the fourth successive annual [MSCA Summer School](#), attracting record interest from prospective fellows across Europe. This is an area of concern as MSCA is important for Welsh institutions in securing talent from across the continent and MSCA Summer School sends a clear message that Wales is open to researchers.

On 9th August 2019, the UK Government released [updated guidance](#) on ERC, MSCA and SME applications, which states that if there's a no-deal Brexit and the proposal is evaluated as successful by the European [Commission](#), the project will be covered by the UK Government's funding guarantee. As soon as a project receives notification of success from the European Commission the applicant should contact [UK Research and Innovation](#) (UKRI) directly. However, if the European Commission decides that it will not continue to assess the bid after Brexit, then the applicants will be able to re-submit the proposal to UKRI for independent assessment. The grant will be administered by UKRI and will be awarded under UKRI terms and conditions.

Current UK recipients of Horizon 2020 funding should provide initial data about project(s) on a [portal](#) hosted on GOV.UK. The portal is designed to ensure that UKRI has information about projects and participants in order to deliver the underwrite guarantee if required. UKRI will use the contact details provided by current recipients to inform them of the next steps in the process. The portal will remain open after the UK leaves the EU so that UK applicants can continue to register as and when they are informed that their bid has been successful.

NHS organisations are often hidden partners in Horizon 2020 projects either as subcontractors, linked third parties (LTPs) or affiliated entities. The most

common example of this partnership approach would be an NHS teaching hospital linking to its University to conduct research. In the majority of cases, these NHS organisations will continue to receive funding via the underwrite or the existing European Commission funding channels. However, there is uncertainty around LTP's with an EU beneficiary eligibility for funds from either the European Commission or the UK Government's underwrite. The UK Government's Department for Business, Energy & Industrial Strategy is currently working with the UKRI to clarify the issue.

The success rates of applications from Welsh participants have increased in cumulative basis since the EU referendum in 2016, unlike the rest of the UK which has seen a decrease in applications. It is still important for Welsh participants to register on the portal to make sure their projects are fully guaranteed. If in any doubt you contact the Horizon 2020 Unit Horizon2020@gov.wales.

EU Third Health Programme

The EU Health Programme is in its third funding cycle (EU Third Health Programme) with a total €449.4m (£411.5m) of funding available to Member States between 2014-2020. It is the only EU funding programmed dedicated to health, with the aims to help the health community to contribute to economic growth. For example Velindre University NHS Trust received funding from the EU Health Programme and was part of the [Improving Patient Safety in Europe \[IPSE\]](#) project.

The Programme provides financial support for Joint Actions (activities carried out by the EU and Member States) which focus on the greatest cross-border public health needs. The EU Health Programme's budget is much smaller than the other EU funding programmes. However it covers a range of issues of critical importance to the NHS such as: promoting healthy lifestyles; protecting EU citizens from serious cross-border health threats and facilitate access to high quality, safe healthcare for EU citizens. The EU Third Health Programme [links](#) closely with Wales' goals for a Healthier, More Equal and Globally Responsible Wales as part of the Well-being of Future Generations (Wales) Act 2015. It is also relevant to [Welsh public health priorities](#) such as prevention and reduction of unhealthy behaviours and chronic diseases.

If the UK leaves without a deal

Guidance published by the UK Government in [August 2019](#) states that in the event of a no-deal scenario the UK's departure from the EU would mean UK organisations, Universities and businesses may be unable to access funding for the EU Third Health Programme as currently the Programme is not open to organisations from third countries who do not have an association agreement.

However, following the UK Government guarantee, any Third Health Programme grant awards to UK organisations, Government bodies, Universities and businesses, which are not honoured in full by the European Commission or Chafea, will be underwritten and funded by the UK Government.

Similar conditions and certification requirements will apply as with current Third Health Programme grant agreements. The guarantee will be subject to those UK organisations, Universities and businesses sharing their grant agreements with the UK Government's Department of Health and Social Care so that it can assess the specific powers need to be introduced to enable payment of the awards in place of the Third Health Programme grant awards. This will include grant awards to UK organisations and businesses in the devolved administrations.

European Structural and Investment Funds (ESIF)

ESIF supports a wide range of economic and social development projects, with a focus on driving local growth and employment. The two main funding programmes within the ESIF are the European Regional Development Fund (ERDF) and European Social Fund (ESF).

Unlike most of the UK, which secures EU funding for research and innovation through competitive Horizon 2020 programmes, a new [review](#) by Welsh Government noted that Wales secures most of its EU research and innovation funding from the EU Structural and Investment Funds, nearly 80% of Wales total EU funding for research and innovation. Wales has received around €2bn of the €10bn passed to the UK by the European Commission in the new 2014-2020 ESIF round.

Although England receives more ESI funding than any other country of the UK, this is largely because of its much higher population. Per person Wales receives more than twice as much as any other country of the UK (£83 per person per year, compared to £13 in England, £18 in Scotland and £30 in Northern Ireland). Figure 2 shows the per capita combined ESIF each different region receives.

Unlike Horizon 2020, the health sector in the UK has not traditionally utilised ESIF, barring a few exceptions, such as [Accelerate](#) project which is collaboration between Welsh Universities and the [Life Science Hub Wales](#) funded by ERDF. The Accelerate project helps innovators in Wales turn their ideas into solutions that can be adopted into health and care. The streams of funding accessed by the health and care sectors will change as a much wider understanding of the role of the NHS in driving local jobs and growth is understood.

Per Capita Combined ESIF (€m)

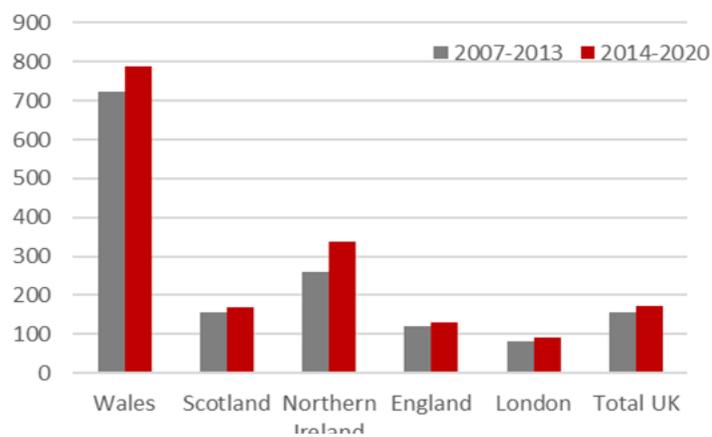


Figure 2: Per Capita Combined ESIF (€m)

If the UK leaves without a deal

On [July 24 2018](#) businesses, Universities and local organisations were assured that any funding they secure through EU programmes, from now until the end of 2020, will be [guaranteed](#) by the UK Government even in a no deal scenario. This means that the UK would continue to participate in the programmes financed by the current EU Budget until their closure in December 2020. The UK Governments Department of Work and Pensions, the devolved administrations and HM Government of Gibraltar will continue to sign new ESF projects after EU exit until programme closure at the end of 2020.

**Shared
Prosperity
Funds (SPF) to
replace
European
Structural and
Investment
Funds**

After the UK leaves the European Union it will no longer receive structural funding, which is worth about €2.4 /£2.2billion per year. Wales receives about £295 million of ESIF a year. In order to replace this funding, the UK Government has pledged to set up a [Shared Prosperity Fund \(SPF\)](#) to “*reduce inequalities between communities*”.

The UK is a net contributor to the EU budget; therefore, it could be possible to reallocate some of the money that currently goes to the EU into the SPF with no further impact on the public budget. Welsh Government has made it clear that it is concerned about the governance of a Shared Prosperity Fund, because of the potential impact of regional funding being directed from Westminster and the general lack of clarity concerning the Fund. Details were supposed to be launched for a consultation by the end of 2018 however this has been delayed until at least the beginning of 2020.

In September 2018, the National Assembly’s Finance Committee produced a report on [Preparations for replacing EU funding for Wales](#). This report recommended that the level of regional funding that Wales receives should remain at least as high as the level it received from the ESI funds, and that it should be administered by Wales rather than from Westminster. The Welsh Government [response](#) to the Report was that it “*rejects the notion of a UK Shared Prosperity Fund that would take away decisions currently made in Wales*”.

[Research](#) from the Wales Governance Centre, shows there could be an indirect threat from “*the new frontier of tax devolution*” in Wales. Currently there is a significant and direct link between the Welsh budget and tax revenues collected in Wales, for example since April 2019 there has been the introduction of [Welsh Income Tax](#). HM Treasury has deducted these forgone tax revenues from the Welsh Block Grant and this Block Grant Adjustment will change from year to year, depending on rates of growth in equivalent UK Government revenues in England and Northern Ireland. This means that tax devolution cannot be divorced from the dynamics of regional economic inequalities across the UK. Therefore, Wales could lose out if EU Structural Funds are not fully replaced by the SPF budget and the Welsh economy stalls relative to England, meaning that Welsh tax revenues would be outpaced by HM Treasury cuts to the Welsh Block Grant.

Conclusion

Wales receives a greater proportion of funds from the EU than any other UK nation. Currently all EU funded projects have been underwritten by the UK Government until the end of 2020. However, the UK Government has not addressed what will happen after 2020. Brexit poses a threat to Welsh research and innovation as nearly 80% of Wales total EU funding for that sector comes from ESIF. At present we need more information on the proposed Shared Prosperity Fund to enable us to know the real impact of Brexit on the Welsh NHS.

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