

# Enterprise and Learning Committee

EL(3) 06-10 (p3) : 4 March 2010

## West Wales Business Initiative

### Inquiry into 2007-2013 EC Funding

The WEFO website describes the 2007-2013 Convergence Fund ( CF ) programme as follows :

"The Convergence programmes for West Wales and the Valleys comprise funding from two separate European Structural Funds: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Around £1 billion of ERDF funds will help progress the region's transformation into a sustainable and competitive economy by investing in the knowledge economy and helping new and existing businesses to grow. It will also focus on regenerating Wales' most deprived communities, tackling climate change and improving transport. Over £690 million from the ESF will be used to tackle economic inactivity, increase skills and employment. Together, with match funding, Convergence will drive a total investment of £3.5 billion in West Wales and the Valleys."

The WWBI submits that the Welsh Assembly Government is in the process of squandering these funds as it did with the 2000-2006 Objective One Programme. Evidence of this can be seen from the failure to hit the targets set in 1999; the continuing decline in GDP per head and the growing difference in economic wellbeing statistics, between Wales and the rest of the UK/Europe. It is also seen from the dramatic increase in unemployment in Wales during 2009 compared to other similar areas of the UK. (Source: Stats Wales)

The Welsh Assembly Government and in particular the Department of the Economy and Transport has adopted a strategy of channelling EC funds into public coffers. We do not believe this is the correct use of taxpayer's money. We offer two (approved by WEFO) project examples - one revenue and one capital expenditure. We submit that a full independent investigation be made into every approved project, with a brief to determine

1. Each project's relevance to the stated aims of the Convergence Fund and its benefit to the economy of Wales
2. The split of money spent on capital and revenue in each project, in order to identify the amount of funds that are being diverted into public sector salaries and wages.
3. How much of the EC money is being spent on jobs that existed in WAG and County Councils before 2007-2013 CF projects were submitted for WEFO approval ?
4. How many approved projects will generate future income for the public sector. What is the estimate for this future income ?
5. The timing of projects from submission for approval, to actual start date, to payment of claim.
6. The impact on public sector salaries and pensions, as a result of Public Sector employees claiming budget responsibility for CF Projects. What is the future (beyond 2013) cost.
7. How the WAG Economic Development Budget has moved, in relation to the income from EC funds in the periods 2000-2006 and 2007-2009.

### Project Examples :

#### Revenue. WEFO Project Ref No's - 80184 & 80155.

This project was to employ Relationship Managers to work with Business. In effect these jobs replaced the previous Account Managers employed by WAG/WDA. The majority of Account Managers were then employed as Relationship Managers. The use of new EC funds to replace existing budgets is not allowed under EC rules.

#### Capital : WEFO Project Ref No - 80356.

This project was submitted by Carmarthenshire County Council on behalf of itself and the counties of Swansea and Pembrokeshire. It is described as providing financial support to the private sector to build commercial premises at key employment sites throughout the area. The problem is that within the strategic framework set by themselves, the counties and WAG have only identified those sites in which they themselves have a financial interest. This has two effects:

1. The Authorities charge the private sector high prices for the land; money which goes into public purse. They argue market value but as they control the planning process on industrial land then the marketplace is artificial and flawed.
2. Some of the sites will not be ready for development before 2013 and the Councils know full well that the private sector cannot meet the onerous terms and conditions of this programme. This leaves them free to access these monies to build units themselves with significant grant input, that will then generate future income (from rental or sales) for the public authorities, bringing more money into the public purse to support future salary and pension requirements.

We enclose Programme Project details downloaded from the WEFO website on 20/2/2010. Link

<http://wefo.wales.gov.uk/programmes/progress/beneficiaries/?lang=en>. We challenge the E&L committee to review these and identify the number of projects that the private sector have submitted or can directly access, and/or those that are truly beneficial to the welsch economy of 2010, and meet CF criteria. Note also the numbers of administration jobs created in the public sector as a result of all approved projects.

### **Action**

To sum up, we submit that the vast majority of schemes approved by WAG/WEFO for Convergence Funds are primarily designed either to supplement current public sector expenditure and/or to generate future income for the public sector when the CF programme comes to an end and/or create public sector jobs. Very little of the 2007-2013 EC money available will be used to address the stated aims of the CF scheme and to rebalance the welsch economy.

**This calls for an independent, external investigation, which should be extended to include the 2000-2006 Objective 1 programme.**