

Enterprise and Learning Committee

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Purpose

To present a position paper on behalf of the third sector on the implementation of the Structural Funds programmes in Wales 2007-2013.

Background

Wales Council for Voluntary Action (WCVA) is the umbrella body for the third sector in Wales. It represents and campaigns for voluntary organisations, volunteers and communities. WCVA has been proactively involved with European policies and programmes for 15 years and has successfully developed its role as a key advocate of third sector interests in European Structural Funds. WCVA is a representative of the third sector on the All Wales Programme Monitoring Committee (PMC), Ireland-Wales PMC, Programme Management and other working groups. WCVA is a formal partner for the 2007-2013 programmes in the Spatial European Team (SET) network, with the third sector European team (3-SET) providing information, advice and training to third sector organisations that are involved in the Structural Funds programmes in Wales.

In addition WCVA has led on a significant portfolio of Structural Funds projects, distributing approximately £33m to third sector organisations during the 2000-2006 programmes, and is now project sponsor for two strategic ESF initiatives in the 2007-2013 programmes (Convergence and Competitiveness areas): the Engagement Gateway and Intermediate Labour Market (ILM) projects, and the ERDF Convergence Communities Investment Fund.

Summary / recommendations

The application process

The first stage of applying for funding, posting a 'project idea form (PIF)' on the Welsh European Funding Office (WEFO) website, is a concept supported in principle as a means of promoting collaboration in project development. However a plethora of PIFs were posted, leaving interested parties unclear about where best to direct their resources. WEFO should have taken a greater role in steering organisations to work together on projects that were likely to proceed through the system, and to swiftly identify ideas that did not fit the funding priorities.

The new business plan format is more user friendly than traditional EU grant application forms, and the training organised by WEFO for project sponsors on the requirements of completing the documentation was useful.

The WEFO Online system is user friendly and has reduced the paper-based requirements considerably. The support available from the WEFO Payments Team for sponsors completing WEFO Online is also valued. However a recommendation for further improvement would be to reduce the duplication of effort in checking procedures for project claims.

Progress of the funds to date (targets and expenditure)

The targets for a number of ESF projects for supporting unemployed and economically inactive people into jobs were originally set at a time when the economy was more buoyant, with wider availability of jobs. However projects are now being delivered in a very different economic climate and the original targets appear to be overly ambitious. It is recommended that WEFO takes this into account in project monitoring.

N+2 targets have been achieved for 2008/09, however the challenge is for projects to increase levels of spend, particularly where procurement has caused delays to project delivery. The key risk for WEFO in funding a smaller portfolio of larger projects is that significant levels of spend can easily fall below profile. Therefore WCVA supports WEFO's intention to closely monitor spend and claw back money from projects that are not performing, to enable other projects to move forward, particularly in priorities with high demand and pressure on resources. However if new projects are approved, spend will be delayed if project activity is to be procured. Therefore it is recommended that WEFO engages SET Officers at an early stage to provide intensive support to quickly bring forward projects that have been deferred.

The Welsh Government's arrangements for project/programme evaluations

WCVA commends WEFO's Research, Monitoring and Evaluation team for the reference materials, templates and advice that are available to sponsors as regards project evaluation. However there is concern regarding the level of resources that are being invested by individual projects in IT systems and databases to track beneficiaries of ESF projects. It is recommended that WEFO considers adopting a universal system for all project sponsors and deliverers to track beneficiaries.

Spread of funding across projects led by the public, private and third sectors

At February 2010, WEFO has approved 69 projects led by the Welsh Assembly Government; 21 local authority projects, (EU funds almost £162m), 19 third sector (EU funds, £60m), seven private sector (EU funds over £8m) and 13 HE sector projects (EU funds

£130m). Whilst the number of third sector projects is healthy, the total grant value is low in comparison to those led by other sectors.

By means of comparison, third sector organisations accessed £251,514,365 of European funding during 2000-2006 (Objectives One, Two, Two T, Three, EQUAL and URBAN II), of which £206.7 million came from the Objective One programme. 319 different organisations were project sponsors in the Objective One programme. Therefore third sector organisations have to date accessed in the 2007-2013 programmes approximately 24% of the funding secured under the 2000-2006 programmes.

The drive for a reduced total number of larger, more strategic projects for the 2007-2013 programmes means there will be naturally fewer third sector project sponsors and the sector is expected to benefit from opportunities to tender to deliver EU funded projects.

However the number of contracts won by third sector organisations in Wales has not yet been quantified. It is recommended that WEFO undertakes an analysis by sector of contracts awarded for Structural Funds project delivery and contracts that have been awarded to organisations based outside of Wales.

The level of engagement in the private and not-for-profit sectors

WCVA's 3-SET project, which operates as part of the SET network involving DE&T, DCELLS and local authorities in Wales, is funded in part by the technical assistance priorities of the Structural Funds programmes 2007-2013 to provide information, advice and support to third sector organisations. WCVA has worked and continues to work in partnership with SET partners and WEFO to engage the not-for-profit sector in design and implementation arrangements.

Since July 2008 3-SET has hosted 16 awareness raising and information events, involving over 1100 participants, and circulated 50 e-bulletins to a distribution list of over 900 organisations, providing the latest information about the EU funding programmes and live tender opportunities.

In addition, WCVA's Gateway and ILM projects will procure all project delivery through external contractors and as such tremendous efforts have been invested in engaging with public, private and third sector organisations at national and local levels. Both projects combined have delivered 85 briefing events, involving 1455 participants.

However in spite of these activities, it is worth noting that the general approach of procuring project delivery activities mitigates against the strong history and context of partnership working in Wales and has acted as a disincentive to the engagement of third sector organisations in the delivery of the programmes.

The sustainability of projects post-2013

In order to prepare for a likely future decline in Structural Funds for Wales, WCVA recommends that WEFO works with PMC members, project sponsors and SETs to identify lessons learnt from the 2007-2013 programmes, specifically in terms of how the phasing out of funds in East Wales has been dealt with, and to evaluate which interventions have been most effective, in order to engage the appropriate Assembly Government departments to plan for future developments.

The role of tendering to deliver Structural Funds projects, whilst bureaucratic and time consuming, offers the potential advantage of enabling third sector organisations to develop constructive longer-term working relationships with public bodies, which may present opportunities to sustain or 'mainstream' interventions that have been proven to be effective post-2013. It is recommended that WAG departments and the SET network help to facilitate these relationships.

In recognition of the likely reduction of European funding in Wales, WCVA's 3-SET project works with the Sustainable Funding Cymru project to deliver information resources, training and events to promote the diversification and 'mix' of income streams to prevent over-reliance on a single source of funding. A focal point of this work is one-to-one advice for third sector sponsors of Structural Funds projects on exit strategies and succession planning. This type of work, carried out by WCVA and other agencies, will be of growing importance in the coming years and it is recommended that public funding is ear-marked for infrastructure bodies in the third sector.

The use of procurement in project delivery

Three years into the implementation of the programmes, key lessons learned are:

Level of procurement expertise in Wales - this was grossly under-estimated at the outset. More traditional procurement practices have been designed to achieve the purchase of goods and services at best value whereas procurement for European projects, especially ESF projects, requires an output based approach whereby the procurer looks at added value, which often conflicts with normal practices.

Procurement has led to significant delays - for sponsors to convert allocations into spend, and more importantly, in funding reaching areas of greatest need.

The cost for project sponsors of establishing systems for procuring and sub-contracting is considerable both with regard to resources, set up costs and the management of risk. The requirement to undertake procurement as part of project delivery has necessitated a rapid up-skilling of third sector organisations, with a number of projects employing legal experts to advise on how to undertake processes in compliance with EU rules and regulations. It has also been a challenge to estimate likely levels of interest in tender opportunities, which has entailed resources being diverted to dealing with time consuming and costly procurement exercises. WCVA's 3-SET team has worked with WEFO to broker training in effective and compliant procurement for third sector sponsors, but professional advice that is available to public sector organisations through procurement departments and Value Wales, has been in limited supply to third sector organisations.

It may also be difficult to anticipate and manage the flow of work. For example, one third sector project sponsor received a much greater response to the issue of a tender than expected: "In our first round of procurement 218 applications were received to provide support across three regions of the Convergence area... As a result of this process 23 organisations were invited to attend an interview and 15 organisations were originally offered contracts. Realistically the exercise needed a full time member of staff working on the process for approximately 3 months."

Bidding to deliver Structural Funds projects is expensive in staff time. Under the current contracting arrangements the cost has been effectively transferred from Europe, via WEFO, to 'prime' contractors and then on to their sub-contractors. This poses particular problems for third sector organisations:

who operate within tight financial margins;

whose staff time is already wholly committed to service delivery;

who tend not to carry spare capacity that can be deployed in lengthy and complicated tendering activity; and

who cannot afford to employ staff with specific skills in tendering.

Third sector organisations who wish to become sub-contractors will also need to invest staff time up front, without knowing what the outcome will be. Organisations may have to submit a PQQ and develop project ideas months in advance of tenders being issued, with no guarantee of success, and for relatively small amounts of money.

To support the transition from EU grant funding to tendering and to help up-skill third sector organisations, WCVA delivers a two day 'How to Tender' training course, which is available free of charge to third sector organisations that can demonstrate their involvement in an EU funded project. 7 courses with 106 participants have been delivered to date, with extremely positive feedback. 3-SET also publicises live EU funded tender opportunities from Sell2Wales to a distribution list of over 900 organisations, which is cascaded further by third sector networks, and publishes latest information about the EU funding programmes in a monthly Funding News bulletin.

Audit requirements - For contractors that provide match funding towards project delivery, WEFO require that a full audit trail must be provided for the defrayment of expenditure. This means that contractors are not able to simply submit an invoice for payment for a piece of work (as with a regular contract), which would allow scope to make a profit. This issue has been raised by a number of project sponsors with WEFO, especially with regard to involving (profit-driven) private sector businesses, and indeed social enterprises, in delivery.

In general, WCVA believes that whilst procurement may be suitable for the commissioning of some goods and services but it is not appropriate in all circumstances. Commissioners should be able to choose whatever system will bring the best result, both in value for money and in service to the user and procurement may not always be the best choice to achieve these.

To date no quantifiable evidence is available to demonstrate the success rate of third sector organisations in winning EU funded contracts; it is recommended that WEFO conducts an analysis by sector of contract awards.

The Welsh Government's use of the funds in responding to the recession

The Welsh Assembly has utilized the Structural Funds to quickly respond to the recession by supporting flag ship schemes such as Re-act and Pro-act. The pressure is now on for these high value schemes to spend swiftly, in order to avoid any potential for de-commitment. WEFO has also acknowledged the increasing pressure on debt and advice services and is consequently considering a proposal from Citizen's Advice Cymru for debt advice, financial capability and equality in employment training that is targeted at ESF programme participants to support their transition from benefits into paid employment.

The potential impact of tighter public sector budgets in the next few years

In a climate of pressurized public sector budgets, it is recommended that WEFO draws on the evaluations of individual projects in order to start to prioritise future support for the most effective interventions.

The availability of match funding

WCVA welcomes the availability of Targeted Match Funding (TMF) to third sector project sponsors, particularly in instances where the availability of grants and Trust funding that have traditionally been used by the sector as match funding, have been squeezed due to the recession.

WCVA welcomes the increase to the intervention rates, and the subsequent impact of reducing match funding requirements for third sector organisations with projects in development

Wales is the only region in the UK which permits the use of volunteer time as match-funding in-kind for Structural Funds projects. WEFO should be commended for this practice as it enables third sector organisations to participate in project delivery and to add considerable value to the programmes. WCVA recommends that volunteer time should remain eligible as a source of in-kind match funding to enable third sector organisations to bring added value to the delivery of any successor programmes.