

Enterprise and Learning Committee

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Inquiry into the Implementation of the 2007-2013 Structural Fund Programmes

Introduction

As we are now three years into the implementation of the current Structural Fund Programmes we welcome this timely inquiry from the Committee and sincerely hope that it will lead to recommendations that will improve the delivery of the programmes on the ground.

Purpose

To provide evidence on behalf of local government on the implementation of the current Structural Fund Programmes in Wales.

Background

Local Government is a key partner in the delivery and implementation of the Structural Fund Programmes for Wales. It is involved in direct project delivery across all the programmes in a number of different ways as follows:

as a Lead Project Sponsor: one Local Authority leading on a project on behalf of a number of other local authorities;

as a Joint Sponsor: Local Authorities either working in a joint sponsorship arrangement with each other or with other organisations as well;

as a Contracted Project Deliverer: Local Authorities contracted to deliver Welsh Assembly Government (WAG) led projects;

as a Procured Project Deliverer: Local Authorities have the opportunity to tender to deliver activities via WAG and other organisations' umbrella 'strategic' projects;

as a Project Sponsor: one Local Authority developing a project for delivering in its own area.

Local Government is a key partner in the Spatial European Teams (SETs) which provide support, advice and guidance to potential project sponsors and applicants across Wales. SET Outreach officers are based in Local Authorities and work within a regional structure where they form part of the four regional SETs along with officers from the WAG Departments for the Economy and Transport (DET) and Children, Education, Lifelong Learning and Skills (DCELLS) and the Wales Council for Voluntary Action.

The WLGA represents local authorities on the Programme Monitoring Committees for all the programmes and is a key advocate of their interests across all programmes. It also aims to ensure that local government is fully involved in all the programmes and that local authorities maximise the opportunities available across all programmes. It supports and advises local authorities regarding their involvement across the programmes and represents their interests on various WEFO, SETs and project specific groups.

Key Issues

The application process

In comparison to the previous programmes where there were specific calls for proposals, as the Welsh European Funding Office (WEFO) operates an open call for project proposals under both the Convergence and Competitiveness Programmes it is quite challenging to take a project proposal through the application process. It has led in some instances to many projects proposals being in the application process for up to two years before a final decision is made regarding approval. It has also led to project applicants experiencing long delays in receiving any feedback or communication regarding their proposal in some instances which has led to difficulties in progressing projects through the system. As the current programmes are based on an on-going open call for proposals regular, effective and accurate communication regarding progress of project proposals is vital in order for projects to proceed and for applicants to know the state of play regarding their projects.

Many well worked up local government led collaborative regional projects were held up in the application process for a long time, not because they were not ready to proceed to approval, but because national and programme wide WAG led projects were expected. This was the case in particular with the DCELLS led Reach the Heights projects and is currently the case with their Basic Skills projects. Such examples have delayed the progress of some local government led collaborative regional projects.

It does not seem that every project approved has gone through all the phases of the application process. For example, it seems that a number of WAG led projects in particular were fast tracked to approval without having to go through the same number of stages as other projects. For example, local government has really arisen to the challenge of collaborative planning at a regional level in developing projects as this was strongly encouraged by WEFO. The application process should be applied consistently across the board so that all project applicants have to go through the same stages and meet the same requirements and criteria of the process.

Progress of the funds to date (targets and expenditure)

One area of concern is the lack of information regarding how national and programme wide WAG and other organisations' led projects are actually being delivered on the ground and their likely impact on a regional and local level. This is particularly the case with the 64 WAG DET led projects. This is making it extremely difficult to determine what impact such projects are having and making it difficult for local authority based SET Outreach officers to advise potential project sponsors and make local and regional organisations aware of opportunities to procure some of the activities under these national projects.

Another area that is causing concern is the lack of synergy between some national and programme wide WAG led activities and local government led regional, sub-regional and local activities, in particular around ESF projects for increasing employment, tackling economic inactivity and supporting young people. There is an urgent need to ensure that such activity is adequately matched up otherwise there is a real danger of duplication and of targeting the same beneficiaries.

The low levels of actual expenditure to date, at around £181 million out of a committed £1.1 billion worth of investment, is extremely disappointing but not surprising as no one really anticipated the impact of the procurement requirements on the time it takes from project approval to actually getting projects deliverable on the ground. We now know that once projects have been approved it can take as long as 9 - 12 months to deal with all the procurement, financial, legal and human resources requirements, which is particularly the case with many of the collaborative projects involving a number of partners.

We welcome the fact that WEFO has acknowledged that encouraging spend on the ground and timely submission of claims is now amongst their key challenges going forward. We will work with WEFO to identify ways of ensuring more speedy spend of the funds to ensure maximum spend from the point of view of local government projects.

Spread of funding across projects led by the public, private and third sectors and analysis of the ultimate project beneficiaries (by geographical location and by sector)

Whilst it is relatively easy to ascertain the spread of project approvals across the public, private and third sectors it is extremely difficult to ascertain the actual spread of funding as so much project delivery is procured. As there is lack of information regarding the awarding of project delivery contracts it is extremely difficult to know who is actually involved in delivering Structural Funds across the board. We recommend that WEFO and lead project sponsors publish information regarding the awarding of project delivery contracts on their website so that it becomes clear which organisations, and from which sectors, are involved in the delivery of Structural Funds.

Sustainability of projects post-2013

We welcome the suggestion from WEFO that the All Wales Programme Management Committee (PMC) identifies the lessons learnt from the current programmes as part of its considerations regarding Future Cohesion Policy Post 2013. It will be extremely important to evaluate which interventions have been most effective and to engage early with key WAG departments in terms of planning for future funding. We need to start thinking now about how best to utilise any future funding so that we are ready to maximise any opportunities.

We support WEFO and the wider DET Department's work around utilising some of the European Investment Bank's financial engineering initiatives in the current programming period, in particular JEREMIE and JESSICA, and sincerely hope that this will lead to the sustainability of some of the interventions and to providing a legacy for the future. We are extremely keen to see much more joint working between WAG and local government on these opportunities.

The use of procurement in project delivery

Although we understand the advantages of procuring project delivery, such as easing State Aid compliance, promoting value for money and encouraging wider involvement in programme delivery, we fear that these advantages have come at a price and have hindered the ability to meet the aims of more streamlined and strategic delivery.

The requirement to undertake procurement as part of project delivery means that there is lack of sufficiently detailed knowledge of what is being delivered, and thus WEFO is not always able to identify and avoid potential duplication.

There is no doubt that procurement has led to significant delays in getting projects up and running, in most cases it has meant a 9 - 12 month gap from project approval to project operating. This situation was not helped by the lack of clear and consistent procurement guidance and advice which has led to inconsistencies in how procurement is applied across the board. We welcome the fact that WEFO has revisited its procurement guidance and hope that this will provide more clarity regarding procurement requirements.

As procurement has been applied to the extreme it has proved to be challenging for local authority staff and others to both meet the resources required to deal with time consuming and costly procurement exercises as project sponsors and the need to invest staff time up front in terms of bidding to deliver projects. The amount of work required to tender for some activities has been extreme, for example, under the recent Visit Wales procurement exercise for their Coastal and Sustainable Tourism projects applicants were required to provide a comprehensive business plan, something that under normal circumstances would be developed over time with a WEFO project development officer. There is a need for more flexibility to be applied around some of the procurement requirements for the current programmes.

We recommend that WEFO collates and circulates procurement best practice models and identifies how other small nations and regions across the UK, and wider across the EU, are implementing their programmes, in particular, if and how they are applying procurement to their project delivery.

The Welsh Assembly Government's use of Structural Funds in responding to the recession and the impact of increased intervention rates announced in July 2009

We supported WEFO's case for increasing the intervention rates last year in light of the recession and welcomed the successful negotiations of the changes, in particular in those parts of the ERDF programmes of most interest to local authorities, namely the physical regeneration and strategic infrastructure themes. This has enabled more local government led projects to proceed to approval within these parts of the programmes.

We were also involved in the discussions at the Economic Summits that led to the setting up of the ProAct and ReAct schemes. In relation to these schemes it would be useful if information could be provided regarding the geographical locations of awards to enable local authority based SET Outreach officers to have an adequate picture of the impact of the European Funds on the ground within their areas.

We look forward to working with WAG and WEFO over the next couple of months to see how the Structural Funds could be best utilised to support the recommendations and actions that will emerge from the Economic Renewal Programme for Wales.

The potential impact of tighter public sector budgets in the next few years and the availability of match funding

There is no doubt that both the current economic downturn and the tighter public sector budgets over the next few years is, and will continue to, impact on the availability of match funding. In relation to local government, restraints on budgets and the falling value of assets such as land and property and other receipts has led to constraints on the availability of match funding.

We welcome the fact that WEFO is looking at the potential of utilising more WAG domestic funds to match the European Funds. However, there is real concern amongst local authorities regarding the lack of correlation between the European Funds, the Targeted Match Funding Pot (TMF) and WAG domestic regeneration budgets pots such as the Strategic Capital Investment Fund (SCIF) and funds for the Strategic Regeneration Areas. The latest SCIF funding decisions in particular do not reflect WEFO and TMF prioritisation of activity. We welcome a recent commitment by the SCIF and TMF officials to improve the links and awareness of capital infrastructure projects going through the WEFO and TMF processes and hope that this will lead to better correlation in any future SCIF rounds.

Areas of over and under subscription

We welcome WEFO's approach to closely monitoring these issues on a regular basis but would welcome more communication and clarification on these issues from WEFO Project Development Officers in their dialogue with project sponsors and local authority based SET officers.

Conclusion

Although the intention was to have a more strategic approach to the implementation of the current European Structural Fund Programmes it does not seem that this is really leading to more strategic delivery on the ground.

This is mainly because the requirement to undertake procurement as part of project delivery means that there is lack of sufficiently detailed knowledge of what is being delivered, and thus WEFO is not always able to identify and avoid potential duplication.

It is also due to the lack of a comprehensive picture regarding how and what WAG national and programme wide projects will deliver activities on the ground.

Further, the fact that there is an on-going open call for proposals and a totally bid-led process works against strategic delivery.

All these factors contribute to a lack of certainty within the programmes and makes it extremely difficult to ascertain what impact the funds are having on the ground.