

**Economic Development Committee EDC-11-00(p.10)**

**Date:** 22 June 2000

**Venue:** National Assembly for Wales , Committee Room 1

**Title:** Assembly Secretary's response to Phil William AM's letter on match funding

At the Economic Development Committee meeting on 25 May, Phil Williams AM raised the question of the level of match funding that should be available to ensure full utilisation of EU structural programmes in Wales. It was agreed that he should write to the Assembly Secretary and a copy of his letter was distributed to members at the meeting on 8 June. A reply from the Assembly Secretary is attached at Annex 1.

Committee Secretariat

Annex 1

**Rhodri Morgan AM MP**

Our ref/Ein cyf: FS 01134/00

Dr Phil Williams AM

The National Assembly for Wales

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14 June 2000

Dear Phil

Thank you for your letter setting out your figures for the level of funding required for EU Structural Funds in Wales.

On an exchange rate of 1 euro equal to 60p I can broadly agree most of the figures you have identified in the columns marked EU and National Public. The only significant variation is for Community Initiatives. We have not yet agreed what this will be, but our forecast is that the final figure will be about £28 million. I agree with you that the exchange rate is important – but I must inject a note of caution. If we assume that we will be getting an addition to our DEL for the period of the Spending Review (2001-2002 to 2003-2004), then it is likely that we will be given firm three-year figures. In these circumstances, it is likely that the Treasury will use the exchange rate prevailing at the time of the Spending Review; they will not project the exchange rate into the future. It could go up or down and the likelihood is that we shall have to take the rough with the smooth.

I believe that our financial profile must also go beyond 7 years. The regulations allow a further 2 years for payments beyond the end of the programme period and we are planning that public expenditure provision will be profiled over 9 years. You have also not factored in any allowance for the substantial resources carried forward from earlier years or what is in the existing baseline. Adding these in, the amount of additional public expenditure provision for the Assembly over the programme period, leaving aside ESF, is about £780 million. I attach a table setting out the calculations, which my officials would be happy to discuss with you.

For match funding, again we do not seem that far apart in terms of quantum, although there are similar differences to those mentioned above. However, we may differ on the question of additional provision. There is a difficulty in that the Welsh Office did not see a need to keep detailed records of the origins of the public sector match funding. These started with the formation of WEPE in 1997, but even these figures do not give the accuracy of information you really require. We shall have this available for the future but the only information we currently have shows that, since 1997-98, public sector match funding commitments have been around £350 million. If we assume a 10 per cent drop off (inevitably some commitments fail to develop), then over the past 3 years some £315 million has been committed – a rate of around £100 million per annum. It would however be a major exercise to interrogate all the files in recent years to identify the precise consequential flow of payments from individual public sector budgets.

In assessing the potential for match funding, I think we must also recognise that Objective 1 is far wider in scope than the old programmes and as a consequence there is a larger range of budgets from which to draw. The new strategic approach to programme delivery also means that there are far greater opportunities to integrate European and domestic funds, whether for business, communities or infrastructure. The Commission has also overtly given its blessing for the deployment of existing domestic budgets to support European funds. We and the

partnership are looking closely at the potential for integration as detailed implementation plans for Objective 1 take shape. However, I am confident that from the Assembly's own resources, as well as those available to local authorities and other public sector bodies, a significant pool of resources will be available. Therefore, while I accept there may be a shortfall in match funding provision, I am not convinced it will be at the levels you predict.

## FUNDING REQUIRED FOR EU STRUCTURAL PROGRAMMES

Exchange rate 1 Euro to £0.60

Programme	EU (Grant)	Average Annual £m
	£m	
Objective 1	1114	
Objective 2	49	
Objective 2 transitional	24	
Objective 3	82	
Initiatives (forecast)	28	
<b>Sub Total</b>	<b>1297</b>	
less ESF	-436	
<b>Assembly budget</b>	<b>861</b>	
Overhang from old programmes	175	
Less current ERDF provision (£19m x 9 years)	-171	
Less current EAGGF provision (£2.5m x 9 years)	-22.5	
Less Carry-forward	-62	
<b>Total additional expenditure</b>	<b>780.5</b>	<b>86.7</b>