



PRIFYSGOL  
**BANGOR**  
UNIVERSITY

## **Finance Committee - National Assembly for Wales**

### **A call for evidence – the Effectiveness of European Structural Funding in Wales.**

#### **Bangor University.**

Bangor University is engaged in world-class teaching and research and has an excellent track-record of engagement with businesses. A key element of Bangor's research and enterprise mission is to ensure that knowledge transfer from research and scholarship contributes to the economic, cultural and civic life of local and regional communities. This is achieved through high quality research that is supported by effective knowledge transfer, licensing of Intellectual Property (IP) and creation of new companies and enterprises.

The availability of external funding is important in the development of our innovation and engagement activities. We are able to provide support to economic and social development through initiatives and projects which have been supported by EU Structural Funds. Bangor has a long history of engaging with Structural Funds dating back to the Objective 5b and Objective 3 Programmes. Our engagement in the current Convergence and Territorial Co-operation Programmes will, in time, result in significant impact and economic benefits for the area through job creation and continued collaboration with business. Research and innovation help to deliver jobs, prosperity, quality of life and global public goods. They generate the scientific and technological breakthroughs needed to tackle the urgent challenges society faces. Investment in these areas also leads to business opportunities by creating innovative products and services.

#### **Consultation questions.**

- 1. To what extent do you consider the Convergence and Regional Competitiveness and Employment Programmes in Wales for the 2007-13 period, to have achieved - or to be achieving - their intended objectives?**

This is a difficult question to answer from an individual institution perspective.

The Operational Programmes (OP) state that their success will be informed by tracking progress against a range of economic and skills indicators, including employment, earnings, qualifications and GVA. Indicators and targets for individual priorities are also closely monitored and are grossed up to provide programme level targets. The OP documents also confirm that the Programmes will also be subject to evaluation.

Unfortunately applicants experienced significant delays before projects could be considered for approval. New procedures and processes were introduced which were difficult to understand and which required staff in WEFO to be trained in order for them to be introduced effectively to others interested in participating in the Programmes. Annual Implementation Reports produced by WEFO confirm that 2007 focused on planning and developing the new Programmes as well as gearing up for implementation. The new Programmes were not launched until October 2007

and therefore no projects were approved before the end of that year. After a slow start in 2008, by the end of that year over £225m of grant had been committed to some 31 approved projects. Although there were project approvals during 2008, there were no achievements reported against the indicators during that year. By the December 2009 PMC meeting the number of projects approved had increased to 107 and projects were beginning to claim modest achievement of some targets, for example, 488 enterprises assisted against an overall ERDF Programme target of 14,150 and 741 jobs created against a Programme target of 33,200. The PMC papers for December 2011 indicate that WEFO has some concerns with regard to the potential to meet the overall ERDF Programme targets and an internal review of progress to establish the possible reasons as to why there may be some disparities between the achieved targets and the potential to meet those targets at Programme end had taken place. The review concluded that “West Wales and the Valleys like the UK, EU and beyond has been affected by the economic downturn. Unfavourable labour market conditions continue and business confidence in a timely up-turn of the economy remains low which does make some of the indicators more of a challenge to achieve. Overall the review concluded that the majority of indicator targets are on schedule to be achieved, some even forecast to be exceeded” but that a limited number of ERDF indicators will be more challenging to achieve. ESF Programme progress against targets appears to be on track.

In theory the mid term evaluation of the 2007 – 2010 Programmes should have taken place in 2010 but as mentioned above delays in the implementation of the Programme resulted in few outputs and results being claimed and therefore little opportunity to assess the impact of the Programmes. One of the recommendations of the July 2010 Structural Funds: Implementation of the 2007 – 2013 Programmes was that a mid-term evaluation should be procured. There is, however, little information publicly available that would confirm that the Programmes are being evaluated to confirm that they are meeting their aim of creating “a high skill, knowledge driven economy, with full employment, a skilled, adaptable workforce and responsive businesses, at the cutting edge of sustainable development” which is the overall aim of the **European Social Funds (ESF) Convergence** Programme or making “West Wales and the Valleys a vibrant, entrepreneurial region at the cutting edge of sustainable development” which is the aim of the aim of the **European Regional Development Fund (ERDF) Convergence** Programme.

One of the main objectives of the ERDF Programme is “to improve knowledge and encourage innovation by fostering the commercial exploitation and take-up of research and development, innovation and technology ....” This has been the main focus of the WG and HEI applications through Priority 1 of the Programme. These applications will meet the target results agreed but their overall impact will not be fully evident for some time following the end of the Programme.

## **2. Do you consider the various projects funded by European Structural funds in Wales to be delivering value for money?**

Under the 2007-2013 Programmes WEFO adopted a more strategic approach to project selection and has therefore allocated funding to a smaller number of larger collaborative projects. WEFO has either awarded EU funding to a single applicant or through a lead applicant to a collaboration of joint applicants. WEFO stated that the over-riding principle was to ensure an equitable and fair distribution of EU funds and one which is effective in ensuring value for money.

When contracting with one organisation, that organisation is expected to manage all elements of the project, delivering activity either through direct, procured or grant awarded delivery. HEIs have experience of applying for funding using this approach. Whilst this approach may reduce the number of applications that are assessed by WEFO it is questionable whether the increased administrative costs incurred in employing new staff and establishing the systems and procedures that are required in order to manage bidding rounds and monitor the delivery of these projects in fact represents value for money or whether these administrative costs would have been better spent delivering activity “on the ground”.

In the main the HE sector has applied collaboratively under a joint sponsorship arrangement with other HEIs and where WEFO has awarded funding to a Lead Sponsor for the purposes of the project. All of the joint sponsors in the collaborative arrangement are accountable for their 'share' of the project, i.e. their share of the funding, outputs, risk and compliance requirements. The need to develop and negotiate back-to-back agreements to give a legal basis to the risk sharing between partners has added significantly to the time before the projects could be implemented and the imposition of joint and several liability across all partners in some large projects has been a major issue.

Although the joint sponsorship arrangements have, in the main, worked well, in one or two instances where HEIs have applied collaboratively with other institutions with one taking the Lead Sponsor role as required, the collaborating HEIs have subsequently been required to enter into a competitive bidding round where formal assessment of proposals has been undertaken by the Lead Sponsor to assess, administer, manage and advise staff within the partner institutions on project development and delivery. New project approval procedures have been developed by the Lead Sponsor and proposals have been subjected to excessive and time consuming scrutiny that has resulted in a significant delay in approving projects. It is questionable therefore whether this is effectively delivering value for money.

### **3. Do you have any concerns around the use of the Targeted Match Fund? Do you have any concerns around the use of Welsh Government departmental expenditure, as match funding? What impact do you believe public sector cuts have had (and may have) on the availability of public sector match funding?**

Bangor University has no experience of accessing TMF. The institution considered this as an option where the potential for securing match funding was initially proving difficult but no applications were subsequently submitted. There was some confusion as to when and how projects could apply for this funding.

The Welsh Government (WG) appeared to have a significant amount of funding which could be used to match fund projects and as such were able to develop projects that were tailored to meet WG requirements. Welsh Government led projects represent a significant number of projects approved to date (92 out of 242) and these approvals amount to in excess of £675 million which is approximately 50% of the Programmes funding. There was a marked lack of consultation with HEIs during the development phase of the Priority 1 ERDF projects developed by WG in particular with regard to the range and scope of projects that were needed to meet the objectives identified in the relevant Strategic Framework. This resulted in opportunities within approved projects which were too rigid and to a process that was overly bureaucratic and in some cases lacked transparency. The projects submitted by the WG were also wide-ranging thus, in the main, preventing the sector from developing bespoke projects to meet its needs and the needs of company partners. WG projects were prioritised before projects that had been submitted earlier by other organisations.

Match funding has always been difficult for the HE sector and will increasingly be a problem in the future. Radical reshaping of the HE sector in Wales is taking place and therefore HEIs are facing major challenges in this regard that may impact on its ability to match fund projects in future.

### **4. How effectively do you believe the Welsh European Funding Office (WEFO) have monitored and evaluated the impact of projects?**

WEFO is effectively monitoring the delivery of spend, outputs and results achieved by projects. Comprehensive reports are produced for review by the PMC on a quarterly basis and these are available to sponsors on-line. The introduction of PPIMS has been useful as projects can track progress on-line and submit information to WEFO when required. PPIMS hasn't however been

used to its full potential as significant communication occurs outside the system. Meetings between WEFO Project Development Officers and projects take place quarterly where issues can be highlighted by both the sponsor and WEFO. Annual project reports are also submitted to WEFO for scrutiny. There is an emphasis on achieving projected spend to meet n+2 requirements and an emphasis on achieving outputs. This is possibly leading to an emphasis on quantity not quality.

As mentioned previously there has been no feedback to projects that confirms whether WEFO is evaluating the impact of the Programmes. In March 2011, during the PMC, WEFO advised that it was too early to assess the impact of the current Programmes. WEFO advised that thematic evaluations, looking at each area of Programmes, were planned throughout the remainder of 2011. PMC papers for December confirm that evaluations into some aspects were due to report at the end of 2011.

The impact targets are not assessed by projects and it is unclear how WEFO is monitoring these impacts and at what stage and how often. Indicator definitions provided by WEFO include a section on impact and these confirm that information will be gathered through evaluation. The evaluation questions included in the specifications developed in order to procure the project level external evaluators are not the questions that would lead to conclusions at Programme level.

The cost of procuring and delivering external evaluation for each project is significant. If carried out effectively these evaluations should provide an assessment on how projects have met their objectives but it is not clear whether the results of these evaluations will feed into the overall evaluation of the Convergence Programmes once they have been completed.

The degree of accountability over public funds is rightly high and WEFO undertakes a key role in delivering this accountability over European Structural Funds. We believe that such monitoring should be risk-based, in that the risk of potential default and the risk of failure to recoup funds paid in the event of any default is markedly different as between a large financially stable, well managed organisation with a track record of having successfully administered such funds in the past and having received favourable audit reports on the one hand, and on the other, a small organisation with limited financial means, limited management oversight and no track record. The extent of risk should be reflected in the monitoring and auditing requirements in order to maximise the proportion of funding spent actually delivering the results. In addition to completing successful audits from WEFO and the University's external accountants, KPMG, Bangor University's projects have also been audited successfully by external organisations including the European Court of Auditors, the Directorate General for Regional Policy and the Southern and Eastern Regional Assembly. Bangor University's strong audit record both in Objective One and Convergence shows that it is able to effectively and efficiently manage these projects.

## **5. Do you have any concerns regarding the sustainability beyond 2013 of the activities and outputs delivered through projects financed during the current round of Structural Funds?**

The economic downturn may have a marked effect on whether the achievements are sustainable. The achievements in terms of, for example, qualifications achieved, however, will ensure that individuals supported through the ESF Programme will be better placed to secure employment when the economy improves. Highly educated individuals are more likely to be in employment and bring skills and abilities to the workplace that enable them to work more productively. They also facilitate innovation by helping to develop new products or process or adapt existing ones, through their ability to draw on knowledge from the external environment. Similarly, businesses supported through the ERDF Programmes developed by HEIs should be better placed to innovate and work collaboratively on a long term base with academic institutions. Interactions between HEIs and businesses play a central role in advancing innovation capacities. The projects supported through Structural Funds have accelerated the transfer of new knowledge to SMEs which will in turn lead to the introduction of improved or

new products or services. Reports suggest that SMEs who do innovate achieve a higher average return on investment and tend to have a better commercial success rate with bringing innovation to the market. The ERDF Programme has supported a number of high profile infrastructure projects. A recent BIS paper suggests that much innovation is infrastructure dependent: it relies on the creation and use of physical and knowledge infrastructure. A number of supported projects have combined the development of infrastructure with the development of higher level skills and involve collaboration between a number of actors to include businesses. The funding has been used to facilitate collaboration between organisations to generate and apply new knowledge which should lead to a long term positive impact on the economy. As stated previously, it will take some time before the long-term impact of these activities will be fully appreciated.

## **6. What is your own experience of accessing European Structural Funding?**

As mentioned previously, Bangor University has successfully applied for funding to deliver projects funded through European Structural Funds for a period in excess of 15 years.

The application process changed significantly under Convergence Programme. This process was not sufficiently well understood at the outset which led to project approval taking years in some instances. Even though the number of projects approved under the Programmes has reduced significantly from 2937 under the Objective 1 Programmes to 244 projects under the Convergence Programmes projects are still taking far too long to progress to approval for a variety of reasons.

Bangor took the decision to focus on three projects under the current Convergence Programmes and to work in partnership with other HEI in the development of others. The university worked in partnership with other HEI in Wales to develop a suite of projects designed to develop higher level skills in the West Wales and the Valleys area. Bangor led the development of the £33 million Knowledge Economy Skills Scholarships (KESS) programme on behalf of the HE sector in Wales. Benefiting from ESF KESS supports collaborative research projects (Research Masters and PhD) with external partners based in the Convergence area of Wales. KESS started in 2009 and will end in 2014 and will provide 400+ PhD and Masters places. Both the Research Masters and PhD elements are integrated with a high-level skills training programme, leading to a Postgraduate Skills Development Award. KESS is closely aligned to meeting the higher-level skills needs of the Welsh Governments' priority sectors and alongside the other collaborative ESF Convergence HE projects, Access to Masters, Work Based Learning and Foundation Degree, provide 'demand responsive' accredited provision for key growth sectors in the economy. The KESS project is unique in Europe in the way it uses ESF support to deliver collaborative research projects and higher-level skills training in partnership with employers.

The £23 million SEACAMS project, again led by Bangor University in collaboration with Swansea and Aberystwyth universities represents a significant success for Bangor. The application process, from the submission of the Project Information Form (PIF), through to the development of the Expression of Interest (EOI) and lastly the development of the Business Plan leading to approval took three years. This is not an unique example.

More recently Bangor was awarded a total of £12.5m from Priority 1 and Priority 5 towards its landmark PONTIO project which will create a new Arts and Innovation Centre in the centre of Bangor that will deliver physical regeneration as well as plugging key skills deficits in the workforce and attracting more young people to science and technology subjects. Despite it being a complex application with a number of interlocking components and funders, it has benefited from one point of contact with WEFO and from not being a complex multi-partner project. The application and award process has consequently been smoother as a result.

The University has developed productive relationships with a number of Project Development Officers (PDOs) which have been of benefit to both the University and to WEFO. There still exist however inconsistencies in the advice being provided by the PDOs and this has led to frustration on our part. As mentioned above, WEFO now seems to be moving towards allocating a PDO as the single point of contact for organisations and this is welcomed.

## **7. Is the private sector in Wales sufficiently engaged in accessing European Structural Funding?**

WEFO Guidance States that “an organisation seeking to gain commercial advantage or financial advantage through their engagement with the Structural Funds is unlikely to be classed as a genuine sponsor.” Private sector organisations that do not collaborate with others in the sector to develop projects and apply for funding are therefore unlikely to succeed with applications. Significant expertise is required in order to be able to navigate a way through the rules and regulations that are an inherent part of Structural Funds applications and in the main the private sector does not have this expertise and potentially could not sustain this over a long period of time if they were to develop that expertise. Welsh Government and Local Government Spatial European Teams exist to help the private sector and others to link with potential partners but it is difficult to comment on how effective this arrangement has been in helping the private sector to engage with the process.

It would seem that the private sector has been a considerable beneficiary within the Programmes as the procurement process has enabled a significant amount of funding to be won by the private sector under the ESF Programme and more successfully so under the ERDF Programmes.

## **8. In 2009, WEFO negotiated an increase in programme intervention rates with the European Commission for the two ERDF and the ESF Convergence Programmes. In its July 2010 report, the Enterprise and Learning Committee noted that the South West Regional Development Agency had negotiated higher intervention rates with the European Commission. Is Wales making the most effective use of increased programme intervention rates?**

Increasing pressure on both public and private match funding for the Structural Fund Programmes in Wales led to the negotiations between the Commission and WEFO which resulted in changes to the project intervention rates. The rates negotiated by WEFO were quite significant in some cases, for instance, under Priority 3 of the ESF Programme an increase from 57.35% to 70% was secured and under Priority 5 of the ERDF Programme the increase from 50.64% to 70% was secured. As far as we are aware this is on a par with the South West Regional Development Agency although in one or two instances it would appear that projects have managed to negotiate an intervention rate of approximately 90%.