

National Assembly for Wales Finance Committee:

The effectiveness of European Structural Funding in Wales.

Newport City Council Response: December 2011

Introduction

Newport is the 3rd largest city in Wales after Cardiff and Swansea, and the City Council is the 7th largest Local Authority, providing all major services such as education, leisure, housing, social services, planning and highways.

Newport City Council has a good track record of securing, managing and delivering projects in the field of regeneration, and through external funding, is currently involved in a number of ESF and ERDF funded projects as lead sponsor, partner or through procurement.

Newport City Council welcomes this opportunity to contribute to the inquiry into the effectiveness of the current structural fund programmes in Wales, and provides comments, based on the questions posed within the Committee's paper. For the purposes of this paper the following definitions have been used:

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| Local | - | activity delivered at Local Authority Level |
| Sub Regional | - | delivery across regions of Wales; i.e. South East Wales, West Wales |
| Regional | - | delivery at all Wales level |

The following comments are provided:

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?

A number of initiatives have helped the Newport and Welsh economy over a very difficult economic period and these were initiatives that would not have happened without European funding.

With regards to the business economy, several schemes have been directed towards supporting businesses to start up and grow in Newport i.e. New Business Start-up Support and Business Growth delivered by Centre for Business, Venture Wales and CODA and others have helped redundant workers to re-train i.e. Re Act. In addition the JEREMIE Fund delivered by Finance Wales has filled an important business funding gap left by reluctant to lend high street banks. All this has helped the jobs effort, and is reflected in the latest ESF targets and forecasts.

Whilst these have been developed and led either nationally or sub regionally, the impact has been recognised at local level. Newport City Council Business Services Team offers a variety of assistance to Start-up businesses, Established Newport businesses, and Businesses looking to relocate to the City. Over this year we have provided approximately 120 grants to businesses, and it has been recognised that a high proportion of those approaching the Council have received or are receiving support through one of the above programme. Businesses are coming to the Council stronger and more sustainable. The effect of this is that Council Business Support grants are being provided to more sustainable businesses, and therefore greater value for money is being achieved.

An example is a small business looking to secure capital funding. This was provided by Finance Wales through the JEREMIE fund. The company has since gone from strength to strength, achieving local success, securing work in a local ERDF regeneration project, and is looking to expand.

Whilst this demonstrates the success of business support initiatives, it also needs to be recognised that latest figures from WEFO do show a number of ERDF targets to behind target. Whilst some are proportionate to the stage of the programmes, some are less so i.e. New or Improved products and services achieving only 12% to date, and Jobs created achieving less than 22% of programme level indicators to date. This latter target is actually over achieving against its forecast to date, showing how some targets can be seen as a success, yet forecast figures are significantly low for this stage of the programmes.

Whilst end forecasts in many cases exceed Operational Programme targets, concern should be noted of the low targets achieved at this stage of the programme. There are external factors such as the economic downturn that makes some Indicators more challenging, therefore it is important that WEFO continue to monitor and review this at regular intervals. It is noted that WEFO are aware of this situation and are monitoring the achievement of Indicators.

Whilst ESF indicators show significant results across the Programme, it should be noted that many projects led at Regional level have little local involvement with regards to development. Eligibility criteria predetermined at Regional level makes for ineffective targeting and delivery on a local or sub regional level, which can impact upon both the achievement, and sustainability of targets long term. An example of this the introduction of the Work Programme and its impact upon the Genesis project at Newport level, which is discussed further in this paper.

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

Projects are assessed as having value for money during the Business Plan stages of application; therefore it should be assumed this is being achieved. However, factors such as project delays and the economic downturn have impacted on delivery of projects, and achievement of targets, not just to date but will do over the life of the project and programme. It is key that WEFO regularly monitor and review individual project targets to ensure successful delivery in line with targets and budget.

Another factor to consider with regards to value for money is the sustainability of achieved targets, activity and processes post project funding. This in itself can form value for money with processes and practices being mainstreamed into

local, sub regional and regional activity. It is unclear whether this is being undertaken – or being monitored by WEFO - and if this does not occur, the value for money of short-term outputs could be questionable.

With regards to overall impact of the programmes upon the Welsh economy, it should be asked, have any independent value for money audits of relevant economic outputs been undertaken?

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?

Targeted Match Fund:

Local Government has welcomed the availability of the Targeted Match Fund from Welsh Government. In these times of austerity measures, and with Local Authorities have limited availability of surplus funds to develop projects, the availability of Welsh Government funding has enabled key projects to be developed and delivered. The fund however has had some drawbacks under this programme.

The pot itself is restrictive in nature. Being managed on a financial year basis, and therefore not aligned with structural funds which run to calendar years it makes structural funded projects more complex to budget and profile. The cuts in the TMF budget were understandable taking into account the economic climate and Welsh Governments need to make cost savings, however the restrictions imposed as a result of this, along with the lack of alignment with structural funds have made it difficult for sponsors to effectively deliver their schemes with projects being manoeuvred to fit within funding availability. There are examples where projects are unable to draw down TMF funding for two years of their project, therefore providing stronger reliance upon ERDF, and their own restricted finances to ensure a consistent approach to delivery. A more structured fund, better aligned to structural funds programming would be welcomed, if the Welsh Government is to consider a match funding 'pot' under future programmes.

Welsh Government departmental expenditure:

The aligning of Welsh Government departmental expenditure as match funding is not opposed, where appropriate, however this should be done carefully, with enough flexibility in place to allow for changes to, and reductions in budgets, and to reflect changes in national policy. European funded activity too closely aligned to Welsh Government budgets (either directly or via funding to Local Authorities) run the risk of changes to budget priorities, budget reductions and consequently a shortfall of match funding.

This in turn, can significantly impact upon activity at local level, in particular project finances, delivery and achievement of objectives and outcomes.

As noted above it is important to ensure enough flexibility to reflect changes in policy without having a detrimental effect on project activity. New policy – or activities resulting from a change in policy - can skew funding and programmes.

An example of this is the Work Programme which affected a large number of ESF projects. The Work Programme resulted in a number of projects being reviewed to ensure there was no duplication of activity and client groups. Taking the Regional Genesis project as an example, eligibility criteria was reviewed and significantly narrowed, and applied to all project delivery partners. Whilst this now allows for a more focussed project, and avoids duplication of clients and activity, there are long-term concerns over the Work Programme client group. The Genesis project extends beyond the life of the Work Programme, yet once the Work Programme ends, Genesis are unable to pick Work Programme clients back up, and potential unemployed/ economically inactive clients are lost to the system unless policy and guidelines are again changed.

Public Sector cutting of expenditure pots and staff resources:

The availability of public sector expenditure has been noted under the 2007-13 programmes as being a drawback to ensuring successful development of projects. Cuts to public sector expenditure means that Local Authorities do not have cash to drive forward capital schemes, and it is here that Newport City Council has welcomed the availability of Targeted Match Funding.

The continued draw on public sector finances will have a negative effect on the future ability to match fund projects for some time to come, and probably through the next funding period of 2014-2020. This could inevitably lead to the failure or lack of future project bids and potential under spend on approved future schemes as budgets and resources are further cut.

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

Newport City Council acknowledges that there has been less delivery in the South East region as opposed to our Convergence neighbours where monitoring and evaluation may be stronger, however our knowledge and experience of monitoring and evaluation in our area is that it has not been effectively undertaken within the current programming period.

The WEFO claiming system is timely and provides projects the opportunity for identifying performance and project issues through its update report, however from our experience these issues have not always been followed through when identified in a timely manner.

Central management and monitoring has been weak on some regional projects, with problems either not identified or dealt with early enough. In the South East there have been at least 2 Regional projects we are aware of that have incurred problems with regards to central management, delivery under profile and achievement of targets, which were allowed to continue for some time before remediation measures were implemented. This had significant for Local Authorities delivering on the ground, resulting in changes to delivery, budgets and targets.

- A. Genesis Regional Project: there were issues around a central management team that had little experience of delivering such projects. This resulted in a lack of information being provided to Local Authority partners in a timely manner; information ranging from clarity on eligibility criteria to providing centralised monitoring systems. This resulted in significant under spends to Local Authorities who were reluctant to undertake certain activities without central management guidance and direction. The overall impact of this is that the Genesis project has been restarted with sub regional leads within Local Authorities, and has been subject to significant reprofiling and reduction of budgets of up to 33% in some Authorities. Budgetary reductions of this significance have consequential impact upon staffing resources and project delivery, and in turn achievement of targets. There is also the issue of timescales required to undertake tasks associated with the new contract, which have taken approximately a year to complete so far.
- B. Spatial European Team (SET): again, concerns were raised with regards to the central team and how it impacted upon local delivery. Following an evaluation of the SET function, the central team were disbanded, and the SET project ended. It has been resubmitted and will be led at sub regional level through Local Authorities. This is also an example where WEFO have not considered the knowledge and experience of Local Authorities in delivering such activities from previous programmes, and which has resulted in a new project with associated Business Plans, budgets and delivery profiles.

There is a lot to be said from processes learnt and implemented through the current programmes that can add to the long-term sustainability of activity and outputs achieved. There is a reliance of grant funding for many projects, with emphasis on outputs generated, whereas we should also be looking at how these outputs were achieved, what processes made this possible, and are they sustainable ones.

There could be a role here for local support through the SET function (or its successor). As noted above, in our experience WEFO are currently not taking advantage of Local Authority expertise and best practice in this region, which could support project sponsors through this process; and it should be asked if, and how Local Authorities or the SET role could feed into this?

Something that isn't monitored that closely are additional targets that sponsors set themselves within projects. These targets are provided to WEFO within the context of the Business Plan but not listed in the Operational Programmes. Little is known of how this data will be used, which could be an excellent opportunity to gauge impact via other outputs.

- 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?

It is recognised that projects and activities are highly reliant upon structural funding, sometimes with little opportunity for sustainability through mainstreaming afterwards. This is particularly so where activity is aligned with existing Welsh Government or Local Authority programmes and budgets are subject to amendment or can be ended.

With particular reference to ESF projects, clients can sometimes require longer-term support than can be provided through structural funded projects, and therefore there is potential for them to slip back into the system without ongoing support. There is a real need here for evaluating performance and processes and to look at how these can be mainstreamed to ensure continued support post funding.

This is particularly reflected in Regional projects that are delivered locally through procurement routes. Whilst it is recognised that this has worked well with regards to engaging local providers, many projects this way, whilst achieving good outputs, are too short term to deliver sustainable outcomes. An example of this is the WCVA Engagement Gateway, which has successfully offered procurement routes for local delivery of training for the economically inactive. In this instance, the tendering process (and potential budget restrictions) allows for shorter term projects, and therefore there are concerns over the sustainability of activity post funding through this route as the need to achieve outputs can sometimes overshadow longer term outcomes.

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

The Business plan process is well thought out and enables applicants work up a detailed well thought proposal, addressing a wide number of key issues prior to approval; on the flipside this creates for a process that can be onerously long and complicated dependant upon the nature of the activity, or staff involved.

With regards to staffing, we have experienced high turnover of WEFO staff, in particular Project development Officers which has led to inconsistency (or lack of) information. This caused significant delays in the development of a major regeneration project, resulting in significant reprofiling and alteration of activities.

This high turnover results in a lack of experience on the part of the PDO, and delays for project sponsors who often require technical guidance and information to support their application.

Something not widely recognised during the development stages of the programme is the huge wealth of local knowledge that Local Authorities have gained through current and previous Structural Fund programmes. Whilst this was utilised through the Spatial European Team (SET) function, it is thought that this potential was not maximised, and poor central management resulted in a reconfiguration of the SET structure across Wales.

Developing funding packages has been a problematic area in this programme. Local Authorities and the public sector as a whole are experiencing significant budgetary restrictions, which make commitment of funds to long term projects more difficult. The use of Targeted Match Funding has assisted this process greatly and is addressed further in question 3.

There have also been some good examples of new ways of delivery;

- A. National organisations securing funding and delivering through a procurement process with local providers has proved successful with projects such as BIG Lottery Life Skills, however this can be quite a burdensome process for small local organisations that do not have the support to develop such bids to tender.

- B. The JESSICA programme is a new initiative for Wales and welcomed, however the development of this programme has been time consuming and complex. A number of projects are close to approval under this scheme, however it is questionable whether this has been implemented early enough to achieve significant impact, and to allow roll out in non Convergence areas i.e. East Wales.

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

The larger private sector business support agencies are now fully engaged in accessing programme funding and delivering to the SME sector compared to the last round of structural funds. Actual SMEs however need to be more engaged through better awareness of schemes and how their businesses could benefit. This is probably more of an issue when a scheme is directly delivered by the Welsh Government.

Whilst fully engaged, latest figures show private sector successes to be within the area of procurement rather than as direct applicants. Newport City Council has little knowledge of private sector engaging directly through the application business plan process. Issues around this need to be considered, and could be attributed to a number of factors;

- Support is available for both public and private sector, but is private sector aware of this?
- The application process to secure European funding can be long and bureaucratic, and not guaranteed success. This can be off putting to the private sector.

Summary

In summary, there are instances where the success of the programme is evident, for example through business support programmes. However there are a number of key weaknesses in the current programmes which have affected the delivery and sustainability of the programmes:

- Match funding is difficult within current economic conditions with targeted match fund not being sufficiently aligned to Structural Fund programmes to ensure ease of use, and more effective financial profiling
- the monitoring of targets does not appear to be looked at with regards to the current stage of the programmes, thereby not highlighting weak areas of achievement
- there is little local input into the development of regional projects, with criteria and funding often predetermined before reaching local deliverers/ Local Authorities
- Sustainability of successful areas of work is not always being achieved either through lack of available funding and a reliance on structural funds, or ineffective monitoring by WEFO of 'additional' targets that influence mainstreaming activity i.e new procedures or practices

- The Targetted match fund has been welcomed by Newport City Council, however it needs to be more strongly aligned to structural funds programming to ensure more robust and effective delivery profiling and financial management at project level.
- There has been insufficient take up of skills, knowledge and experience at Local Authority level at the early stages of regional project development.
- A high turnover of WEFO staff has resulted in poor and inconsistent advice and information beng provided to Newport, resulting in a significant delay to a major regeneration project.
- Delivery through procurement has worked on a local level where this has been thought out with sufficient funding available and a strong procurement process in place, e.g BIG Lottery Life Skills
- If the private sector are to be engaged in the forthcoming Structural Fund programmes, the current application process needs to be reconsidered. This is timely and bureaucratic and not guaranteed success. Something that the private sector find off putting.

Newport City Council has welcomed this opportunity to feed into the Committee's inquiry into the effectiveness of the current Structural Fund programmes in Wales. The views here are based on experience and knowledge of projects and activities from a Newport perspective, and in relation to the Competitiveness Programme, and whilst some issues may carry across, they do not necessarily relate to activity undertaken within the Convergence Programme.