

## Economic Development Committee

**Date** 15 March 2000  
**Venue** Committee Room 1, National Assembly Building  
**Title** Structural Funds – Funding

### Purpose

1. This paper provides further background on the financial aspects of new European Structural Funds programmes. The Committee is invited to note the position and to advise on any points it wishes taken into account in the further work proposed.

### Background

The Committee asked for further information on ERDF provision and on match funding potential within budgets under Assembly control. This paper provides initial guidance on:

- actual public expenditure from Welsh Office/Assembly budgets;
- the commitments made under 1994-99 Programmes and the amounts of forward expenditure associated with these ie the "overhang";
- match funding potential within budgets under the control of the Assembly.

### Public Expenditure

3. The following levels of Welsh Office/Assembly allocations have been made available to cover ERDF grant payments since 1994-95 (additional EAGGF figures in brackets):

<b>1994-95 outturn</b>	<b>1995-96 outturn</b>	<b>1996-97 outturn</b>	<b>1997-98 outturn</b>	<b>1998-99 outturn</b>	<b>1999-00 forecast</b>
£m	£m	£m	£m	£m	£m
41.407	34.185	22.966	37.040	33.582	40.000
	(1.228)	(1.558)	(2.668)	(2.730)	Est (2.600)

4. In addition to these payments, a further £26 million of ring-fenced ERDF end year flexibility is still to be drawn down. Original provision in 1999-00 was set at £9 million (£19 million in 2000-01) because of the previous pattern of underspend - the carry-forward entitlement had accumulated to £46 million, of which £20 million was drawn down in the Winter Supplementary package. This released funds to meet other more pressing priorities, but in the knowledge that the budget would need to be restored to its former level once the accumulated carry-forward

had been fully spent.

## Commitments

5. The table at Annex 1 shows the build-up of commitments under 1994-99 programmes and the amounts actually paid out against those commitments. The total level of commitment was £387.08m, on which grants totalling £137.12m had so far been paid.

6. If read in conjunction with the table at paragraph 3 above, the figures show that, of the total paid by the Welsh Office/Assembly since 1994-95 (some £219.964m), only £81.720 million related to the 1994-99 programmes. The greater part (£138.244m) was accounted for by payments on pre-1994 programmes, on which an estimated £11 million remains to be paid. Excluding ESF, the "overhang" of grants payable from Assembly budgets over the next 2 - 3 years totals £188m. This demonstrates the lengthy time-lag hitherto between commitment, expenditure, claims and payments.

## Match Funding

7. The availability of reliable historic information on the amount or source of match funding for old programmes is very limited. However, the evidence suggests that, since 1 April 1998, the following match funding (including ESF) has been committed.

### £ millions

Year	Total Match	Public Match	Private Match
1998-99*	205.240	129.333	75.907
1999-00 (to 31.12.99)	315.570	219.840	95.730
<b>Total</b>	<b>520.810</b>	<b>349.173</b>	<b>171.637</b>

\* Includes commitments carried forward from 1997-98 Source: WEPE

8. Not all commitments will translate into payments - historically there is a 10 per cent drop off rate. The broad picture suggests that (assuming a three year period) the public sector has contributed an average of around £116 million annually in match funding, though the late programme start and the steep rise in commitments towards the run-out of the programmes will have had some distorting effect on the outcome.

## Forward Match

9. Match funding may be drawn down from any budget that supports activity falling within any of the Priorities and Measures set out in the agreed Programme document. The European Commissioner, Mr Barnier, has explained the position in a statement to the European Parliament:

- the Commission does not envisage changing the rules concerning additionality which, for the period 2000-06, are laid out in Article 11 of the General Regulation governing the Funds. As in the past, this rule requires that the principle of additionality applies to the relationship between the Structural Funds and the whole of the expenditure which the Member State makes on development;
- it is the expenditure funded by the Structural Funds which must be additional. The co-financing made available by the Member State does not have to be added to its existing expenditure. So long as the Member State does not reduce the whole of its own expenditure, the Commission will consider that the Structural Funds are additional to national expenditure and that the principle of additionality has therefore been respected.

10. At its first meeting on 7 March, the shadow Monitoring Committee agreed that a communications strategy should be developed for the Objective 1 programme, including detailed guidance to potential applicants for funds. As part of this, it is proposed to include guidance on potential sources of match funding. This would include budgets for which the Assembly has responsibility as well as other sources that would be regarded as eligible by the Commission.

11. In principle, and subject to the outcome of negotiations with the European Commission and the content of the Programme Complement, a wide range of Assembly budgets offer potential sources of match funding over the 9 year payments life of the Objective 1 programme. An illustrative list of relevant budgets is given at Annex 2.

## **OUTSTANDING QUESTIONS**

12. The Committee asked whether the ERDF end year flexibility of £62m (see EDC-05-00 (p8)) would increase by £6m the £56m increase announced earlier for 2000-01 (which, when added to baselines provision of £19m, would allow provision for old programmes of £50m and a further £25m for new programmes).

13. The Committee will wish to note Annex 2 of EDC-05-00(p8). The Finance Secretary has agreed not to draw down the remaining £6 million ERDF carry-forward for 1999-00, but to meet the shortfall in ERDF funding for this year from underspends in other programmes (RSA). The £6 million will therefore be available for use in 2000-01 as shown in that paper.

14. The Committee also asked about the level of commitments in 1994-99 and the consequential payments profile. The relevant figures are discussed at paragraphs 3- 6 above.

## **FURTHER WORK**

15. Work will continue to refine and analyse the historic data. The likely pattern of expenditure across Priorities in the Objective 1 SPD and Programme Complement will offer further pointers to the level and nature of the funding requirement. Guidance on potential sources of match funding will be prepared.

## Compliance and Financial Implications

16. There are no issues of regularity or propriety associated with this paper. The Assembly Compliance Officer has noted the content of the paper, which has been approved by the Finance Secretary.

## CONCLUSIONS

17. The Committee is invited to note the above information and advise on any points it wishes taken into account in further work.

European Affairs Division  
March 2000

## ANNEX 1

Payments under 1994-99 Programmes - Wales

Programme	Fund	SPD Allocation £m	Commitments £m	Grant Paid to Date £m	Grant Outstanding				
					1999-00 £m	2000-01 £m	2001-02 £m	2002-03 £m	Total £m
ISW 97-99	ERDF	136.47	125.90	15.44	5.94	30.84	34.84	38.84	110.46
	ESF	37.10	36.75	14.79	8.18	12.38	1.40	-	21.96
Rural Wales 94-99	ERDF	80.60	78.26	41.52	2.85	11.29	11.29	11.31	36.74
	EAGGF	24.95	24.04	10.46	1.07	4.17	4.17	4.17	13.58
	ESF	25.37	23.38	16.48	2.50	3.71	0.69	-	6.90
Objective 3 97-99 (excludes Govt. bids)	ESF	36.70	35.85	16.17	10.72	6.99	1.97	-	19.68
Objective 4 97-99	ESF	12.83	11.86	1.79	3.78	5.28	1.01	-	10.07
INTERREG 94-99	ERDF	7.15	5.43	1.49	0.29	1.21	1.21	1.23	3.94
	ESF	1.64	1.52	0.72	0.31	0.41	0.08	-	0.80
KONVER II 94-99	ERDF	1.65	1.65	0.27	0.10	0.42	0.42	0.44	1.38
	ESF	0.10	0.07	-	0.05	0.02	-	-	0.07
LEADER II 94-99	ERDF	4.20	4.20	2.22	0.18	0.60	0.60	0.60	1.98
	EAGGF	2.35	2.35	0.97	0.18	0.40	0.40	0.40	1.38
	ESF	1.00	1.03	0.40	0.14	0.49	-	-	0.63
PESCA 94-99	ERDF	0.53	0.38	0.01	0.01	0.12	0.12	0.12	0.37
	FIFG	0.14	0.10	-	-	0.03	0.03	0.04	0.10
	ESF	0.12	0.13	0.04	0.01	0.08	-	-	0.09
RECHAR II 94-99	ERDF	14.75	13.74	5.16	0.48	2.70	2.70	2.70	8.58

	ESF	4.36	3.54	2.95	0.25	0.34	-	-	0.59
RESIDER II 94-99	ERDF	9.15	8.56	3.59	0.37	1.53	1.53	1.54	4.97
	ESF	2.31	2.04	1.72	0.25	0.07	-	-	0.32
RETEX II 94-99	ERDF	1.36	1.18	0.21	0.07	0.30	0.30	0.30	0.97
	ESF	0.41	0.40	0.29	0.03	0.08	-	-	0.11
SMEs 94-99	ERDF	1.39	0.99	0.36	0.03	0.20	0.20	0.20	0.63
	ESF	0.23	-	-	-	-	-	-	-
URBAN 94-99	ERDF	3.60	3.30	0.02	0.02	0.79	1.09	1.38	3.28
	ESF	0.79	0.43	0.05	-	0.38	-	-	0.38
Total	ERDF	260.85	243.59	70.29	10.34	50.00	54.30	58.66	173.30
	EAGGF	27.30	26.39	11.43	1.25	4.57	4.57	4.57	14.96
	FIFG	0.14	0.10	-	-	0.03	0.03	0.04	0.10
	ESF	122.96	117.00	55.40	26.22	30.23	5.15	-	61.60
	Total	411.25	387.08	137.12	37.81	84.83	64.05	63.27	249.96

## ANNEX 2

### ILLUSTRATIVE LIST: POTENTIAL SOURCES OF MATCH FUNDING

#### Economic Development

RSA

Regional Innovation Grant

SMART/SPUR

Pathway to Prosperity Fund

WDA

WTB

Local Regeneration Fund

Regeneration and Other Local Services

Groundwork Trusts

Coalfields Regeneration Trust

#### Cultural/Heritage

Arts Council for Wales

Arts Lottery

CADW

Heritage Lottery

Council of Museums in Wales

Sports Council for Wales

Sports Lottery

Welsh Books Council

## **Environment/Countryside**

Countryside Council for Wales  
Environment Agency  
Environment Wales  
Forestry Commission  
National Parks

## **Transport**

Central Government Roads  
Transport Grant  
Other transport grants

## **Employment**

TECs  
Employment Service

## **Housing**

Crime prevention

## **Education**

Further/Higher Education Colleges  
FEFCW  
HEFCW  
Universities  
Research and Development Funds

## **Agriculture**

Various agricultural grants

## **General**

Local authorities  
Welsh Council for Voluntary Action