



Cyngor Sir  
**POWYS**  
County Council

Response to

**A call for evidence - the Effectiveness of  
European Structural Funding in Wales**

of the Finance Committee, National Assembly for Wales

*January 2012*

Please begin your submission by providing some information about yourself, or your organisation, before setting out your views and experiences in relation to some or all of the following areas.

1. Powys County Council welcomes this call for evidence as it complements and informs the debate that is taking place in Wales on European Funding and the proposals of the European Commission for the 2014-2020 programming period.
2. Powys County Council is one of the 22 local authorities in Wales, the largest by area and the most sparsely populated. It covers 5,181 Km<sup>2</sup> - around a quarter of the landmass of Wales; almost 90% of its territory is agricultural land, and it includes a large portion of the Brecon Beacons National Park.
3. Powys has a population of 131,300 people<sup>1</sup>; with a density of 25.3 persons per Km<sup>2</sup> (Wales average is 145), which makes it the most sparsely populated county in England and Wales. Only the towns of Brecon, Newtown, Welshpool, and Ystradgynlais have a population above 5,000 and 50% of Powys residents live in small villages, hamlets or isolated dwellings.
4. In European statistical terms Powys is a NUTS 3 area<sup>2</sup>; for European Structural Funds programming purposes it has been included in the NUTS 2 area of "East Wales". During the 2000-2006 programming period Powys was eligible under the "Objective 2" and "Objective 3" programmes. Under the current programming period of 2007-2013 Powys is eligible for the "Regional Competitiveness and Employment Programme".
5. However, as a NUTS 3 area, Powys has suffered in the past decade from a poor economic performance due to structural weaknesses and external contributing factors. Many economic and social indicators put Powys in a situation comparable to - and sometimes worse than - areas in Wales that were and are eligible for the "Objective 1" and "Convergence" programmes<sup>3</sup>.
6. The Powys economy suffers from structural weaknesses such as low economic output, low wages, over-dependence on primary production with very limited value added, falling employment rates, lack of large employers, and scarce employment opportunities. For instance Powys has the second lowest weekly average wages in Wales<sup>4</sup> and has a decreasing level of employment<sup>5</sup>. Even more worrying is the fact that Powys has seen a dramatic decrease in productivity over the last few years, with GVA per hour down to 66.9% of the UK average in 2008, the lowest for any NUTS 3 area in Wales and the 3<sup>rd</sup> lowest in Great Britain<sup>6</sup>.
7. The GVA and the other economic and social indicators mentioned above demonstrate how an already weak economic situation in Powys has suffered disproportionately from the recent economic downturn; its economic structure makes it more difficult to recover from it. This calls for a focused deployment of public sector resources in the area, including the

1 2010 mid year estimate from ONS.

2 Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS).

3 "2008 Sub-Regional GDP Estimates", PMC(11)157, All-Wales Programme Monitoring Committee.

4 ONS Annual Survey of Hours and Earnings, 2011, workplace based gross weekly wages for full time employment.

5 "Local Area Summary Statistics" Welsh Assembly Government, 26 April 2011.

6 "Productivity in Powys 2004-2008", Powys-, Statistical Research & Information Unit, Powys County Council, 2011.

- European Structural Funds, to help to address some of the structural weaknesses.
8. The current Structural Funds programmes have partially contributed to counterbalance the negative economic situation. Powys County Council and many stakeholders and organisations operating in the area have successfully accessed RCE funding - both ERDF and ESF - and have effectively implemented projects and initiatives for the benefit of the area. However the resources available from the Competitiveness programme are limited compared to the levels that are needed, and sometimes not easy to access.
  9. A change in the category from Competitiveness to Convergence would provide to Powys the much needed resources and the flexibility of intervention that could help to address effectively the economic structural issues.
  10. If a change of category for Powys is not possible, we recommend that the Welsh Government explore how the future programmes can be designed to focus their support as to improving the economic performance in the area. This would be in line with the Cohesion policy objective of reducing the economic disparities at territorial level. Such an objective could be achieved by ensuring plans for future initiatives in the programmes are discussed and prepared in close co-operation among Powys, its stakeholders and Welsh Government.
  11. Powys is actively and positively tackling the issues outlined above. To this end Powys County Council has recently launched a “Regeneration Strategy for Powys” to drive the regeneration and the development of the area, in conjunction with partners and stakeholders. The priorities and themes of the strategy are aligned with many of the priorities of the European funding programmes and are in line with the objectives of the “Europe 2020” strategy of the European Commission.
  12. Over the years Powys County Council has successfully managed and implemented operations supported by European, Welsh Government and other funding programmes; operating either as project lead or working in co-operation with other partners, whether local, regional, national and European ones.
  13. Powys experience in European funding includes successful management of operations and programmes under the current RCE programmes as well as and “Objective 2” and “Objective 3” programmes. The council is also actively involved in the delivery of activities funded by Interreg IVC and IVB programmes, and Intelligent Energy Europe. It also supports partners involved other European funding programmes.
  14. In the current Rural Development Plan for Wales (2007-2013) the County Council acts as Lead Body in the implementation of programmes under Axis 3 and Axis 4 in Powys and is involved in the delivery of initiatives aimed at improving the quality of life in rural areas and support innovative and ideas and initiatives through the “Leader” approach.

## What we'd like from you: 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?

15. The programmes have just passed the halfway mark of their lifespan, so it is somehow difficult to provide a meaningful assessment of the level of achievement of the intended objectives. The general evidence provided thus far by some of the main indicators, seem to suggest that the programmes are generally on track to achieve the targets in terms of outputs. It remains to be seen if they will achieve the planned outcomes, final objectives, and desired impact. A more extensive consideration at programme level is difficult at this point given also the relative scarcity of specific structured data, at least in the public domain.
16. A further reason that makes it difficult to fully evaluate the impact so far is the slow start of approval of initiatives. This has been caused partially by the approach of the managing authority of encouraging large scale projects, which require longer leading time for approval and delivery; secondly the focus on procurement as delivery mechanism has introduced further delay in the implementation.
17. The GVA is one of the indicators chosen by the RCE programme to measure its overall success<sup>7</sup>. Since the start of the programmes GVA has drastically declined in Powys. Admittedly the adverse global economic climate has affected East Wales as bad as many other regions in the UK; however it seems to have affected disproportionately some areas in Wales, in particular the rural ones, which still show no great sign of recovery. Earning, which is another indicator chosen by the programme, has had a similar trend.
18. Although the programmes have helped buffer some of the negative effect of the economic crises, the overall impact has yet to be felt or demonstrated fully.
19. Some caution has to be exercised with regards the achievements and impact of RIFW (Regeneration Investment Fund for Wales) - a financial instrument. Although this is a project, it is worth mentioning it here because this large initiative absorbs a great amount of the programmes resources committed. Although it has been in progress for sometime no concrete output has been delivered yet. This is worrying considering that, by their very nature, the capital activities supported by the fund take a long time to come to fruition. This lack of performance is particularly disappointing as such an initiative could have helped to mitigate the impact of the negative economic cycle.

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<sup>7</sup> East Wales, Regional Competitiveness and Employment, Operational Programme, European Regional Development Fund 2007-2013, WEFO; page 4, paragraph 1.12

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

20. Considering the wide array of projects and initiatives funded, it is difficult to provide a generalised comment on the value for money issue which can be difficult to measure. Secondly, the “gap funding” nature of the programmes, makes it difficult to assess value for money since often they support activities that otherwise would not be funded elsewhere.
21. The general indication is that in the areas of business support and skills the projects are providing some good value. Some other areas are more difficult to assess as the results are not yet fully available, this is the case for infrastructure projects and wider economic development initiatives.
22. The implementation mechanisms have strong impact on this issue. Simplification and clarity are of the essence. In general, the simpler the project application and project management aspects, the more resources can be allocated to the outputs. The complexity of some of the implementation mechanisms, such as procurement, put a strain on the resources available to the project delivery, hence reducing the value for money of the project.
23. By the same token, timely preparation and approval of rules and guidelines and greater clarity and consistency of their interpretation from the managing authority would help project sponsors and delivery organisations to ensure that resources are deployed in efficient and compliant way. This has not always been the case in the current programmes.
24. The approval of large strategic projects has determined the introduction of extra layers of management that had a negative impact on resources, thus reducing the value for money of outputs. More worryingly this approach has reduced the levels of consistency of delivery, an issue that the approach was supposed to address.

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?

25. The Targeted Match Fund is in principle a positive way to support the implementation of the programmes, more so in times of economic strains. Many project sponsors have had the chance to access the fund. However the duplication of access mechanisms, the difference in the timing and availability between TMF and the SF, have made it difficult for beneficiaries to make the most of the fund. In some instances it has created more difficulties than anticipated by creating perverse effects on the sustainability of the operations.
26. A clearer alignment of priorities, timescales, and bidding mechanisms would be desirable if a similar facility will operate in the future programming period.

27. Welsh Government Departmental funding are a useful element if they provide added value and if they can help leverage extra resources, rather than use the resources to reduce the funds that would otherwise be committed. Also as they are linked to the political cycle, they may be subject to changes in priorities which could have implication in the overall commitment of the resources. This has been the case in some projects where funding have been withdrawn or diverted from projects and it has led to reduction of scope of the impact and reprogramming of initiatives.
28. The cuts experienced from the public sector, at national and regional level have had some impact in the creation and delivery of projects.

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

29. The reports provided to stakeholder are generally a positive monitoring tool. WEFO has generally been fairly open to discuss the content and the format of the information provided.
30. However it is important to emphasise the ongoing need of clear information on spend as well as on commitment. This information is not always forthcoming due to the cumbersome reporting systems. Equally important is the need of accurate and timely information about outputs achieved - especially at spatial level - as this can help to better focus delivery as programmes progress.
31. In general it seems that improvement should be recommended for project level reporting mechanisms. The guidance on the monitoring activity along the delivery chain should be more robust and cohesive to enable project sponsors and delivery organisations to collect appropriate data.

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?

32. Some projects and initiatives address issues that will not be fully resolved by the time the programmes end. In these cases sustainability becomes an issue of capacity of project sponsors and delivery organisations to be able to continue to provide the necessary activity. In some cases projects are able to address this problem. In many other cases there should be the recognition of further need of resources to continue to address the issues and ensure that the resources achieve the objectives.
33. In some cases however sustainability can become an aim in itself and this can stifle innovation of projects and initiatives to be able to adapt to changing needs and context. It is vital to be able to distinguish between a set of issues that span across programming period but can be resolved and needs that instead cannot be satisfied beyond the timeframe and resource available.
34. Whilst it is important to ensure that successful projects have the resources they need to continue to perform well - and to learn from their experience, it



is equally important for project sponsors to maintain the flexibility needed to adapt to changing circumstances and improve practices, rather than seeking to replicate the same initiatives.

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

35. In the current programming under the RCE programmes Powys County Council is delivering a number of projects. These include: Severn Valley Strategic Regeneration Programme (ERDF); Flood Defence (ERDF); Engagement Gateway (ESF); Genesis Wales 2 (ESF); Intermediate Labour Market (ESF); SETs (ERDF and ESF). As part of SETs the outreach function helps and supports a number of organisations in Powys to successfully access funds and efficiently deliver projects.
36. It appears that in many cases the application process has been complex and sometimes very long, either at joint sponsor level or as delivery organisation. Sometimes this was due to lack of clarity from the managing authority on what was needed from the applicants. In other cases the burden of procurement procedures has been a severe hindrance to the delivery and has not guaranteed the value for money of outputs.
37. The approach of large national projects coupled with the procurement of activity has lack of ownership as the management has been disconnected from delivery on the ground.
38. During the past programming period Powys county Council was eligible for Objective 2, Objective 3 and Objective 2 Transitional programmes. The Council was the lead body at local level and ensured effective implementation. It managed the local partnership responsible to receive and approve projects and ensured efficient delivery of the initiatives approved. Whilst we don't necessarily advocate to reverting to the previous model, it is important to recognise that a much greater engagement at local level is needed for the future programmes. The current proposals from the European Commission are clearly suggesting a similar approach and we fully support it as it can help to focus the delivery on the ground to address the specific needs for an efficient use of resources.

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

39. The private sector is involved in a number of projects; some organisations are accessing the funding as lead sponsor. More importantly many private sector organisations and companies are beneficiaries of projects funded by the programmes, such as ProAct, Local Investment Fund, FS4B. The aim of the Structural Funds should be to create the right framework for the private sector to prosper, including SMEs, social enterprises or larger companies - rather than providing resources to support activities. This would create a perverse effect of the private sector becoming excessively reliable on support from public resources.

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?

40. The increase in the intervention rate has been beneficial for a number of project sponsors. Especially at a time when the economy was particularly affected by the global downturn, some sponsors have been able to counterbalance a shortfall in matchfunding or even to lever further resources.
41. However, the intervention rates must be negotiated within a realistic framework. Looking at other experiences as the suggested by the questionnaire, it seems that from the intervention rates for the Welsh programmes were the lower than the rest of the UK regions and in fact also other EU regions. Although low intervention rates can seem beneficial from some resources point of view, it would be reassuring to know that the best deal for Wales has been secured. Therefore it would be welcome to have greater transparency and partnership participation around the setting of intervention rates at programme level.
42. Greater transparency should also be beneficial on negotiation at project level, as the greater flexibility allowed at this level (including in excess of the programme intervention rates) could be extremely important for project sponsor during the application process.