



## 1. Introduction

- 1.1. WCVA works with a range of national specialist agencies, county voluntary councils and other development agencies, to provide a support structure for the third sector in Wales.
- 1.2. WCVA has been involved in the design and implementation of the Structural Funds in Wales since 2000, from the development of Objective One programme documents, to the delivery of a range of operations through the successive programmes such as the Social Risk Fund, Intermediate Labour Market and Gateway and the current Active Inclusion Fund.
- 1.3. WCVA was appointed as an Intermediate Body (IB), under the existing 2014-2020 programme, in recognition of its ability to effectively manage and administer competitive grants on behalf of the Welsh European Funding Office (WEFO).

## 2. How effective have existing arrangements for the management of European Structural Funds been?

### 2.1. Accessibility

One of the most frequent criticisms of EU Structural Funding is its inaccessibility. The design principles, which underpin the existing 2014 – 2020 Structural Funds Programme in Wales, have moved delivery away from a multiplicity of funded interventions towards larger, more strategic models of delivery.

The majority of initiatives are therefore led by local authorities and Welsh Government departments, with the third sector mostly consigned to the delivery of activity as opposed to project lead or partner. This, in some part, plays to the sector's strengths but also means organisations have little say in the design, delivery and management of operations.

The issue of accessibility is partly addressed by appointing select organisations as intermediaries, for example WCVA is an Intermediate Body (one of only two in Wales) ie the Welsh European Funding Office (WEFO) has delegated authority to WCVA toward grants through a competitive process. Smaller third sector organisations are therefore able to apply, develop and deliver projects which would otherwise be excluded by the Welsh European Funding Office (WEFO) due to their size, duration and low value.

## 2.2. Overly bureaucratic

The current structural funds programme is seen as being bureaucratic with a need for a high level of administration. Moves have been made in recent years to simplify the process of accessing funds but there is more that could still be done.

The bureaucratic nature of the fund can lead to rules and regulation being misunderstood and there is a need for third parties to help breakdown information in order to make things more accessible.

## 3. What impact have Structural Funds had on the Welsh economy?

3.1. The Structural funds have had a substantial impact on the third sector in Wales and subsequently those individuals who are the hardest to reach, and our most disadvantaged communities.

3.2. The third sector accessed over £100million under the 2007-2013 EU Structural Funds programmes. This supported 45 schemes led by the sector, helping 8,545 people into work and 21,825 people to gain qualifications, creating 405 enterprises and 720 (gross) jobs. Through procured contracts, over £187m (10% of total value of procurement contracts) was awarded to the third sector to deliver activity.

3.3. Under the current 2014-2020 EU Structural Funds programmes, so far, the third sector is leading multiple operations worth in excess of £147 million and many more organisations are accessing funds through several regional frameworks and contracts.

It is too early to show what the full impact of this current programme is, but from the operations run by WCVA we have engaged almost 16,000 of the hardest to reach individuals and progressed almost 15% of those people into employment.

Investment from WCVA's Social Business Growth fund has created 121.55 jobs with a further 100 profiled before the end of the programme. Of the jobs created almost 80% have been sustained for over 6 months.

#### **4. What lessons should be drawn from previous rounds of European Structural Funds in Wales?**

##### **4.1. Ringfenced funding for tackling poverty and social exclusion**

The current EU Structural Funds' programme supports multiple initiatives that contribute to the social and economic regeneration of Wales' most deprived regions. Initiatives that would unlikely be funded through domestic sources. For example, WCVA's Active Inclusion Fund is in place to help those furthest away from the labour market. The organisations it funds support people who have complex barriers to employment, such as a disability or work limiting health condition. Over its lifetime the Fund will support may thousands of Wales' hardest to reach individuals.

##### **4.2. Flexible payment models**

Under the current EU Structural Funds programme, if necessary, third sector led initiatives receive advance payments as opposed to payment in arrears. Under WCVA's Active Inclusion Fund, organisations receive funding through a competitive grants process. These payment models enable the third sector to participate in the programmes and contribute to alleviating some of the financial risks associated with managing and

delivering European funded projects and operations. Flexible payment models must be incorporated into any successor fund to ensure third sector organisations are not excluded from delivery.

#### 4.3. Maintain a longer funding cycle.

The existing seven-year programme cycles, of the Structural Funds programme, which enable projects to be funded for three years and longer, are favoured over those aligned to conventional political and budgetary terms, and particularly the annual funding cycles that are often applied to government funded projects. A longer term financial commitment provides security and stability for the planning and delivery of projects.

#### 4.4. Incorporation of the Cross Cutting Themes

The principles that underpin the Cross Cutting Themes (CCTs): tackling poverty, equality of opportunity and environmental sustainability should be incorporated into any proposed successor fund and any initiatives it subsequently funds. This will improve the quality and legacy of any initiative and demonstrate a collective responsibility to address inequality, poverty and social exclusion in Wales.

#### 4.5. Ring fenced funding for technical assistance

The objective of technical assistance is to support the efficient and compliant management and implementation of the Structural Funds in Wales. This support is of particular importance to third sector organisations who are highly skilled in their delivery field but sometimes less informed about the management and administrative requirements associated with European operations and project delivery. The assistance provided by, for example, WCVA's Third Sector European Team, helps to ensure organisations achieve their performance targets and comply with the applicable criteria.

#### 4.6. The East Wales (EW) and West Wales and the Valleys (WWV) regional boundary

The successor fund should allow for greater flexibility to work between regions whilst not losing sight of the additional economic needs within the existing WWV region.

#### 4.7. Use of Volunteer time as match funding

Wales is unique in being able to attach a financial value to volunteer hours which allows it to be used as match funding in the current programmes. Volunteers provide an essential support service in delivering many of the projects working with those who are hardest to reach in our communities. The use of volunteer hours as a contribution towards match funding both acknowledges the true value of their time and makes the funding more accessible to many third sector organisations by removing the need to provide cash match funding.

**5. What should be the priorities and objectives of the Shared Prosperity Fund and what, if any, improvements are needed to the current European funding system?**

5.1. Covid 19 will have a significant effect on the economy of Wales but there will be a disproportionate effect on those communities already facing significant challenge following the years of austerity we have seen. These communities must not be left behind, and a holistic package of support must be put in place to assist all sectors, not just business.

Public resources will be focussed on the recovery of many services and work with communities will not be seen as a high priority. This funding has an opportunity to focus on this work and reach areas of our communities where public services cannot.

5.2. Move towards a more balanced, sustainable model of funding incorporating both grants and repayable finance.

The current allocation and award of funding through the Structural Funds does not represent a sustainable model. Certain interventions will always require grant support but any new successor fund, where possible, should support and encourage income generation to ensure the long term sustainability of organisations.

The repayable finance model, currently utilised by WCVA's Social Business Growth Fund (SBGF), is a hybrid form of finance that sits between grant and loan funding. An element of grant funding is provided to the recipient organisation (40% of the ERDF support) and the remainder is provided as repayable finance (60% of the ERDF support). Organisations are required to repay the repayable finance

element, but no interest is charged. With SBGF additional benefits are applied, such as a reduction in the repayable amount dependent on performance. This model helps to encourage over performance and increase the impact of investments and create a long term legacy for any successor fund.

### 5.3. Funding for preventative interventions

Particularly in the context of the Wellbeing of Future Generations Act, any successor to the Structural Funds should support measures that address the root causes of long term unemployment as opposed to interventions which address the issue of unemployment itself.

### 5.4. Alignment with other funding streams and strategies

The successor fund should align with and complement other funding streams to avoid duplication of activity, gaps in provision and silo working e.g. Coastal Communities, City Deals and any engagement in transnational programmes such as Horizon 2020, Erasmus and the Ireland Wales programme.

## **6. What level of funding should Wales receive, and how should this be calculated moving forward?**

6.1. During the referendum campaign, the promise was made that Wales will not be a penny worse off post EU membership. Therefore, any investment Wales receives through the proposed Shared Prosperity Fund, should be reflective of the funding historically allocated to Wales through the EU Structural Funds.

Under the 2014-2020 programme period, Wales is set to receive £2billion in Structural Funds investment. From this, it's anticipated the West Wales and Valleys (WWV) region will receive £1.6billion and East Wales (EW) will receive over £325million. Together, with match funding, the Structural Funds will drive a total investment of almost £3billion into Wales. Any annual budget allocation should be reflective of this.

6.2. The distribution and allocation of the Fund should be based on each nation's need. EU Structural Fund allocations are currently determined by a region's GDP per capita. The WWV region is categorised as 'lesser

developed' as its per capita GDP is less than 75% of the EU average. This region is one of only two in the UK to achieve this status. Conversely EW is considered 'more developed' as its GDP per capita is more than 90% of the EU average. Based on this model, the WWV region attracts significantly more investment than EW.

Employment in Wales is relatively high in comparison to other regions, such as the North East of England, yet a quarter of the Welsh population live in poverty (23%) due to low skilled, poorly paid work and part time hours. If any calculation used was based on the level of employment within a region, Wales would lose out disproportionate to its wider socio-economic needs.

## **7. Should funding be ring-fenced on a nation or regional basis or should the fund be open to competitive tendering?**

7.1. The funding should be distributed by Wales using a needs based model. Wales should not be competing with other areas of the UK to receive this funding.

Wales has a long history of partnership working and has a track record of collaboratively designing solutions at national, regional and local levels. Competitive tendering often has little consultation and is focused on meeting the needs of the tenderer not tailored to meet the needs of the area.

A needs based model will generate a more diverse delivery pool as opposed to funding those organisations most equipped to prepare competitive bids.

Utilising a flexible, accessible model of delivery will help generate a more diverse delivery pool. It ensures funding is channelled to those most suited to deliver those tailored front line interventions, required within Wales' most disadvantaged communities. Simply supporting those organisations who are best placed to deal with heavy administration and bureaucracy stifles innovation and assumes that one size fits all.

**8. What timescale should be adopted for each funding round? How should responsibility for funding and administering the fund be divided between UK and devolved governments?**

8.1. Funding cycles should be 7 -10 year periods. Not only does this provide security and stability for the planning and delivery of projects it also cuts across Government periods and removes the chance of funding being used as a political bargaining tool.

It is acknowledged that sufficient review point would need to be built into any such funding package to allow for changes to be made in order to address the ever changing socio-economic landscape.

8.2. Wales' allocation of any successor fund should be devolved.

The EU Structural Funds' programme in Wales is negotiated between Welsh Government and the European Commission and monitored by the Programme Monitoring Committee. This ensures the programme reflects the strategic priorities of Wales. A UK Government managed fund would circumvent these structures and systems, which currently enable the third sector to influence the direction, spend and management of the Structural Funds in Wales.

**9. What role could, or should, local government and, where applicable, city or growth deals play in relation to the fund?**

9.1. In its published Industrial Strategy, UK Government makes reference to the importance of City and Growth deals. These models present as 'challenge' funds and are significantly different to needs or rules based models of allocation and distribution.

9.2. It is important that any partnerships and structure involved in the distribution of funds add value and are not created for the sake of it. We are currently seeing a number of partnerships being created and



many are duplicating work and effort. This leads to a very complicated landscape to engage with.

9.3. Careful consideration must be given to the governance arrangements for any successor arrangement. The Programme Monitoring Committee for the 2014 –2020 EU Structural Funds programme in Wales is key to ensuring co-ordination, minimising duplication and allowing for a range of views, from a range of backgrounds and experiences, to input their expertise into the decision making and strategic planning process. Governance arrangements become even more important if there is a fragmentation of funds and structures, as we are already seeing through the introduction of City Region Deals and Local Industrial Strategies. We would advocate for an overarching governance structure that encompasses the structures and funds that are implemented under a new regional policy in Wales and for the structure at all levels to commit to third sector engagement and representation.

9.4. The successor fund should be developed and delivered in true, equal partnership. The existing arrangement has enabled the third sector to influence the strategic direction and administration of the Funds, achieved through sector representation on the Programme Monitoring Committee.

However, this principle has not always been replicated at local or regional level, with the sector often only having token representation. Therefore, any successor arrangement should represent true equality across the sectors, both in terms of physical representation and influence. This will support the co-production of activities that build resilience and prosperity within Wales' most deprived communities.

## **10. Are there any implications for state aid rules?**

10.1. The existing state aid framework is unintentionally prohibitive to community development. The opportunity should be taken to influence the direction of state aid post Brexit. The ability to re-shape state aid rules so that they minimise and, where possible, remove the barriers to supporting third sector organisations should not be missed.

We would advocate a state aid approach that considers the governance of an organisation, where those with not for profit governance arrangements are treated more favourably than private sector organisations.

