

Review of the Balance of Competences

Cohesion and Trans-European Network (Transport) Workshop: Thursday 21 November 2013 Note of meeting and evidence for Cohesion Report

Attendees

Association of Colleges
Cabinet Office
Department for Business Innovation and
Skills (BIS)
Department for Transport (DfT)
European Commission
Greater London Authority
Institute of Explosives Engineers

Local Government Association
Northern Ireland Executive
Open Europe
Road Haulage Association
Rail Industry Association
Warwick University

- Cabinet Office provided an overview of the Balance of Competences Review. BIS provided an overview of Cohesion policy. DfT provided an overview of the Trans-European Network (Transport). Three broad areas were discussed:

- I. *To what extent policy objectives were achieved in these areas*
- II. *Value for money*
- III. *Management*

- The following points were made in discussion held under the Chatham House Rule:

Impact of the Funds

- It was argued that targets for jobs created, for example, were generally achieved or surpassed.
- There was increasing convergence at national levels but within Member States there was divergence between richer and poorer areas. For example West Wales had received substantial funding but economy was diverging from rest of UK. Northern Ireland was now classed as a transition region but is still one of the most deprived in UK. Internal divergence was also taking place in Spain.
- In transport, there had been a push to harmonise over the last 10-12 years, yet distance to market remained a key issue which will continue to impact on growth.
- Use of GDP as a measure was questioned. For example, it was argued that the West Midlands, despite having the smallest disposable income, paid £3.55 for every £1 received.
- It was questioned whether there was some arbitrariness in the way GDP criteria were used to classify regions. For example Northern Ireland was now a transition region, however extreme poverty and lack of skills remained issues.

- Civil society - in principle ESF was a very good opportunity but current programmes had seen challenges in terms of knowing how to access funds, procurement for large contracts and delays in payment. These should be addressed in future programmes.
- More community-led ESF projects could bring benefits.
- EU programmes could have a positive impact in relation to cross border issues.
- Principle that spend in itself was good was questioned.
 - The Court of Auditors reported that in Spain expressways had been built as the money was available when normal roads would have sufficed.
 - N+2 principle has probably led to ineffective projects or spend.
- Due to the length of time over which funds are committed, EU Funds have difficulty in reacting to macro economic challenges for example the financial crisis.
- Audit often focussed on compliance rather than performance.
- There was a call for more hypothecation in transport in order to convince that money has been spent properly and understand where it has been spent.

Are we measuring the right outputs?

- ESF was measured in terms that are not considered suitable for other related programmes - e.g. measuring numbers getting a qualification as opposed to numbers getting a job.
- TENs transport funding looks to put in place projects more quickly or do more than what was envisaged. Difficult to measure the impact TENs has had on the first aim.
- NUTS2 geography was too big, hiding some pockets of deprivation.
- There was a limit to the usefulness of the Commission's calculations since these assumed that funds were spent effectively.

Is there an issue around lack of visibility of EU funded projects?

- There was a much higher visibility of EU Funds in Scotland, Wales and Northern Ireland than in England - for example PEACE in Northern Ireland. In England the benefits of the Funds were often not visible to the public.

Effectiveness of spend

- The evidence seemed to show that overall, the funds contributed positively to objective 1 or convergence objective.. The extent to which this is so, however, depends on a) quality of local governance and b) skills in the workforce. Thus there is a tendency for poor regions in rich countries to do better than poor regions in poor countries. Ireland, for example, was a convergence region but now, largely due to wider economic reform and good administration (as well as funds) its situation had improved.

- The point was also made however that for some regions, geographic factors were an important and enduring constraint.
- There was a concern around the affordability of public borrowing being carried out to access the funds.
- One difficulty with assessing impact was around the availability of data. –Data is often scattered among several different websites if it is available at all. Comprehensive data on what the funds have been spent on were not available.
- Commission auditors tended to look at the micro-level; it was difficult to extrapolate to the bigger picture.
- Previously only some areas could benefit from EU Funds. For example in London, there were previously differences in eligibility between neighbouring streets. A preference was expressed for the current situation in which there is discretion as to where to spend.
- The impact of funds depended on size of the Funds relative to the areas e.g. in London impact would be proportionally less compared to say N. Ireland. A similar point was made about the impact EU funds can make in UK with €10 billion compared to similar amount to much smaller countries such as Hungary and Slovakia.

Value for Money

- In UK it was estimated that on average £5 of every £6 sent to the EU from a local area returned to that area through these funds.
- Lot of wealth from local areas comes from central government, is this taken into account when considering need?

Repatriation

- Not all beneficiaries believed previous government promises during negotiations on the 2007-13 period that money repatriated would return to local areas.
- Also if the money did come back to local areas, would government apportion the funds according to the same principles that the EU had? For example ESF was different to other domestic skills funding mechanisms; there was a consequent risk that the principles underpinning this fund would be lost. Would it be less bureaucratic?
- It was argued that restricting the funds to poorer countries would significantly reduce the EU budget and improve the public image of the funds.

Management

- There were currently problems resulting from the need to go through several layers of bureaucracy.

- There had been a 'whirlwind' of auditing activity largely due to England MA attempts to resolve the issue. This in turn had led to perceptions of gold plating.
- Additional confusion was created by the involvement of multiple Managing Authorities.
- Current Co financing organisations were not reaching those that they should.
- 7 year programme was cumbersome but allowed partners to plan. The long term nature of funding provided stability which domestic funds could not.
- It was suggested that the number of funds, and complexity of objectives, could be reduced. There was some evidence that local governance of funds worked best. LEPs and the approach of the Skills Funding Agency were moving in this direction but there was a question about how far this would go and be effective in the future.

Other

- It was argued that Devolved Administrations had been able to influence negotiations with the Commission, whereas local authorities had not, and that had local authorities had this opportunity, government could have secured greater buy-in.
- It was argued that some UK regions may have secured wider influence within EU institutions as a result of participating in the funds - for example, with the European Investment Bank.
- A description was given of a funding application process in which a business was working with partners in other member states whose expertise in accessing Leonardo funds was greater.
- A comparison was drawn between the ring-fenced budget for overseas aid and the UK contribution to the Structural Funds which is also predominantly targeted on poor regions.

BIS

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