



# **Cynulliad Cenedlaethol Cymru** **The National Assembly for Wales**

## **Y Pwyllgor Menter a Busnes** **The Enterprise and Business Committee**

**Dydd Mercher, 11 Ionawr 2012**  
**Wednesday, 11 January 2012**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee. In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol****Committee members in attendance**

Byron Davies	Ceidwadwyr Cymreig Welsh Conservatives
Keith Davies	Llafur Labour
Julie James	Llafur Labour
Alun Ffred Jones	Plaid Cymru The Party of Wales
William Powell	Democratiaid Rhyddfrydol Cymru (yn dirprwyo ar ran Eluned Parrott) Welsh Liberal Democrats (substitute for Eluned Parrott)
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
David Rees	Llafur Labour
Kenneth Skates	Llafur Labour
Joyce Watson	Llafur Labour
Leanne Wood	Plaid Cymru The Party of Wales

**Eraill yn bresennol****Others in attendance**

Katy Chamberlain	Chwarae Teg—Cyngor Gweithredu Gwirfoddol Cymru Chwarae Teg—Welsh Council for Voluntary Action
Berwyn Davies	Addysg Uwch Cymru Higher Education Wales
Iestyn Davies	Ffederasiwn Busnesau Bach Federation of Small Businesses
Neville Davies	Cymdeithas Llywodraeth Leol Cymru Welsh Local Government Association
Professor Richard B. Davies	Addysg Uwch Cymru Higher Education Wales
Phil Fiander	Gweithredu Gwirfoddol Cymru Wales Council for Voluntary Action
Professor Phil Gummatt	Cyngor Cyllido Addysg Uwch Cymru Higher Education Funding Council for Wales
Lowri Gwilym	Cymdeithas Llywodraeth Leol Cymru Welsh Local Government Association
Peter Mortimer	Cymdeithas Llywodraeth Leol Cymru Welsh Local Government Association
Judith Stone	Gweithredu Gwirfoddol Cymru Wales Council for Voluntary Action
Greg Walker	Addysg Uwch Cymru Higher Education Wales

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol****National Assembly for Wales officials in attendance**

Gwyn Griffiths	Uwch-gynghorydd Cyfrieithiol Senior Legal Adviser
Siân Phipps	Clerc Clerk

Meriel Singleton

Dirprwy Glere  
Deputy Clerk

*Dechreuodd y cyfarfod am 9.30 a.m.  
The meeting began at 9.30 a.m.*

### **Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions**

[1] **Nick Ramsay:** I welcome Members, witnesses and members of the public to today's meeting of the Enterprise and Business Committee. This meeting will be held bilingually. Headphones can be used for simultaneous translation from Welsh to English on channel 1 or for amplification on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. I remind Members to turn off their mobile phones and other electronic equipment. I also remind Members and witnesses that there is no need to touch the microphones, as they should operate automatically. In the event of a fire alarm, please follow directions from the ushers. We have one apology, from Eluned Parrott; William Powell has kindly agreed to substitute. Thank you for attending today, William.

9.30 a.m.

### **Ymchwiliad i'r Cynigion Deddfwriaethol Drafft ynghylch Cronfeydd Strwythurol yr UE ar gyfer 2014-20: Sesiwn Dystiolaeth Inquiry into the Draft Legislative Proposals for EU Structural Funds 2014-20: Evidence Session**

[2] **Nick Ramsay:** As part of our inquiry into the draft legislative proposals for EU structural funds for 2014-20, we are taking evidence today from a range of witnesses. Welcome to you all: Iestyn Davies, head of external affairs for the Federation of Small Businesses; Professor Richard B. Davies, vice-chancellor of Swansea University and a member of Higher Education Wales; Greg Walker, deputy director of Higher Education Wales; Berwyn Davies, head of office at Welsh Higher Education Brussels; and Professor Phil Gummett, chief executive of the Higher Education Funding Council for Wales. Thank you for agreeing to come to today's meeting, and thank you for the evidence that you have provided in advance. We have a number of questions to ask, but first of all there is an opportunity for you to make brief opening statements.

[3] **Professor Davies:** I will kick off. Thank you for the invitation to talk to the committee, and thank you for your welcome.

[4] In a recent visit by university leaders to Brussels, we were briefed by European Commission policy makers on this field. It was quite clear to us that the tempo had changed dramatically when compared with that of earlier years. They emphasised that they had two overwhelming priorities in Brussels. One is the euro and the other is recovering from the recession and building a stronger economy across Europe. Of course, we are currently more concerned with the latter than the former. They also emphasised that, for economic regeneration—for the second of their two big priorities—the main policy lever they have is structural funding. They were clear that not enough had been delivered for the money across Europe in the past. There was considerable cynicism about what had been achieved overall. They recognised some successes, but, overall, there was a strong view that there had not been value for money. Everyone we spoke to emphasised that the new regime had to be different; it was not a case of business as usual, but new business that has to deliver. We had clear evidence of strong determination that this round was designed to produce transformational and long-term change, and the sort of projects where we have to ask ourselves what will be

happening, for example, in Wales in 20 years' time as a result of this investment. Will every £1 spent be transformational in the long term for the economy across Wales? That was the message we were getting strongly.

[5] They also emphasised that they were going to require innovation strategies in every area, and they even talked about those strategies going to peer review. They were expecting those strategies to be smart and clever, based upon proper analysis of what was possible and feasible, given existing resources and strengths in each area, and benchmarked with the best in the world so that the innovation strategy clearly demonstrated a thorough understanding of the way Governments could exert economic levers for transformational economic change.

[6] My message is that the higher education sector in Wales is up to that challenge. Not only do we see an opportunity for us to deliver more, but far more important than that, we see an obligation and responsibility in this environment to deliver far more for Wales.

[7] **Nick Ramsay:** Iestyn Davies, would you like to make a brief introduction?

[8] **Mr I. Davies:** Thank you for the fulsome introduction on the position of higher education. For business, it is simply to say that business needs to be at the table. Small businesses are the businesses of Wales, and their exclusion from any process because of the poor drafting of regulations and guidelines cannot be accepted. Yes, we agree that there is an imperative—which almost borders on a moral one for those already engaging with the funding streams and structures—to get more than has been achieved in the last two rounds. However, there is a necessity in those obligations to engage more effectively with business. Our feedback from small businesses indicates that that has not happened, and there are, no doubt, structural reasons for that in terms of how the schemes have been constructed. We look forward to being part of this process, because we recognise that we cannot miss the opportunity—during this third round of structural funds—to get it right.

[9] **Nick Ramsay:** Phil Gummatt, would you like to make some opening comments before we move to questions?

[10] **Professor Gummatt:** Looking at this from the point of view of the Higher Education Funding Council for Wales and thinking about how matters may work in the future under the new processes being laid out from Brussels, our starting point would be to say that we are broadly content with how the proposed regulations are coming out. They seem to be enabling us to do the things that we would wish to do. So, our issues are not so much with how the regulations are emerging from Brussels, but much more with thinking about how we will apply them in Wales. For example, what will we do with the capacity being offered to us under those regulations?

[11] I agree with all that has been said about the focus needing to be on transformation. That is a clear message coming through when talking to people in Brussels and in the documents. So, this is about transformation so that things will be different afterwards. It seems to us that the imperative is to address the causes of economic difficulty rather than the symptoms. It is about getting to the fundamentals and questioning what we will do about the causes so that things will be different after this round of funding has passed. In that context, the emphasis, as Richard has said, on locating activity within an innovation strategy seems to be fundamental, but also timely given how policy is developing in Wales—it should not be that difficult for us, because we are already moving in that direction.

[12] There is also a challenge to us in terms of using the capacity that the regulations allow to integrate activity across the different funding streams. So, that will be a challenge for us locally and will be allowed by Brussels, if all goes to plan. The question will be whether we are able in Wales to construct our own, more detailed, processes in ways that let us

maximise the opportunities that will emerge through linking together different elements of the funding in ways that help us to build capacity for addressing fundamental economic problems.

[13] I have a final point that is worth repeating—I think that we are well placed. We already have a number of policy drivers in terms of the higher education strategy, economic priority areas and in work addressing various industrial sectors and so on. The innovation strategy is also being developed. So, in theory, we have a range of policy instruments that should leave us well placed. The challenge to us collectively will be how well we can bring those together in order to address and use the possibilities open to us.

[14] **Kenneth Skates:** From your opening statement and written evidence, we have assumed that the HE sector is quite satisfied by the draft proposals. Could you confirm that that is the case and that you are satisfied that they provide a robust strategic framework for economic investment in Wales from 2014 to 2020?

[15] **Professor Davies:** ‘Yes’ is the simple answer to that, as far as they go. Our real concern is implementation and how we use those regulations in Wales. That is where the real effort has to be made, in my view.

[16] **Kenneth Skates:** Which elements of the proposals in particular would you seek to defend during negotiations, and are there any elements that you would like to see amended or replaced?

[17] **Professor Davies:** No, we are particularly interested in the emphasis given to knowledge-led economy developments and, clearly, we have a considerable amount of work to do to strengthen our work with industry, both large and small. That was one issue that I brought up in Brussels. Brussels is still looking to get a few Microsofts in every part of Europe—in other words, to encourage SMEs that will then grow into something massive. In reality, we must have vibrant supply chains linking larger and smaller companies. Although larger companies cannot necessarily be the beneficiaries of a large amount of European money, they are critical to building up the economic structures that could be transformational. Universities have an important role in that. The work has to be done within Wales.

[18] **Kenneth Skates:** Essentially, it is a case of ensuring that our primary focus is on preparations for the funding programmes in Wales, rather than seeking to influence the negotiations in Brussels.

[19] **Professor Davies:** That is our view in higher education, yes.

[20] **Alun Ffred Jones:** I barhau â'r thema rydych wedi dechrau arni, rydych yn galw am ddull newydd o ddefnyddio cronfeydd strwythurol yr Undeb Ewropeaidd er mwyn trawsnewid economi Cymru. Beth yw'r prif elfennau mae'n rhaid eu rhoi ar waith er mwyn galluogi'r trawsnewid hwn i ddigwydd?  
**Alun Ffred Jones:** To continue with the theme that you have already embarked on, you are calling for a new way of using European structural funds in order to transform the Welsh economy. What are the key elements that must be put in place to enable this transformation to happen?

[21] **Mr Walker:** We have set out in our paper a few suggestions as to how that might happen. The managing authority, WEFO, beyond 2013, could include research as a potential output for the convergence programme. At the moment, it is not a qualifying, eligible output that can count towards successful indices for the convergence programme. That has militated against building synergies between the convergence programme and the existing framework programme, called Horizon 2020. A key breakthrough could be, beyond 2014, to allow

research outputs, which are one of the key Europe 2020 targets, to be included as a relevant output for the convergence programme itself. That is one thing. We would also draw attention—in the regulations and, hopefully, to be taken forward by WEFO beyond 2013—to the emphasis on smart specialisation, which, as Phil Gummert has already said, marries well with the themes outlined in the economic renewal programme. Some of the research priorities that universities are taking forward are high-performance computing, low carbon research institutions and so on. If the things that we have highlighted in the paper are taken forward by the managing authority in three years' time, they will be able to make a big difference to the way in which the programme works.

[22] **Alun Ffred Jones:** Rydych wedi awgrymu bod Ewrop yn dweud nad yw'r cronfeydd strwythurol wedi gwneud y gwahaniaeth a ddylent hyd yma. Beth yw'r dystiolaeth fod prifysgolion yn hyrwyddo economïau lleol yng Nghymru, neu eu bod wedi gwneud yn y gorffennol, gan edrych yn fanwl ar y sefyllfa yn y gorllewin ac yn y Cymoedd, a chan gofio bod nifer o brifysgolion yn yr ardal honno?

**Alun Ffred Jones:** You have already suggested that Europe is saying that, to date, the structural funds have not made the difference that they should have made. What evidence is there that universities are promoting local economies in Wales, or that they have done so in the past, looking in detail at the situation in west Wales and the Valleys, and bearing in mind that there are a number of universities in those areas?

[23] **Professor Davies:** That is a challenging question to answer quickly. It needs to be structured. Universities contribute in different ways. The fundamental way in which universities contribute is in skill development. They pour out skilled people who can add value to an economy in a way that would not be possible without higher education experiences. Our challenge is to keep a higher proportion of those graduates in Wales to ensure that they can continue to develop their skills and contribute at higher levels.

[24] I will leap from that to the other extreme. We are beginning to see some real action, although it is much more difficult—going back to my answer to the earlier question—with universities working with large companies around the world. We work with the multinationals. We have not been asked to do this in the past, but we have to turn our attention to using those links to attract those companies to do business in Wales, with companies currently in Wales, to build up supply chains here. We have some very good examples: Rolls-Royce has recently moved a significant amount of equipment and facilities from Derby to Swansea, as a direct result of working with the university and that will grow into a very large operation.

9.45 a.m.

[25] Work with the aerospace industry in north-east Wales is another example where technological developments, and the scale of development from the universities behind designing and building wings, has been an important factor in the big investments in industry there. I do not have time to give a full list. We are doing it, and we are doing it more and more; we have the opportunity to deliver dramatically more. Lord Sainsbury himself said in a major report three years ago that you were beginning to see clusters of high-tech companies around the larger research-led universities in England. We have been slow in making the same thing happen in Wales.

[26] **Alun Ffred Jones:** Gofynnaf gwestiwn atodol. Yn eich papur, rydych yn cyflwyno achos i'r prifysgolion fod yn rhan ganolog o'r rhaglen newydd hon a'r trawsnewid rydych yn awgrymu sydd ei angen ar economi Cymru. Y cwestiwn rwyf

**Alun Ffred Jones:** I will ask a supplementary question. In your paper, you make the case for the universities to play a central role in this new programme and the transformation that you suggest is required in the Welsh economy. The question that I have

wedi ei ofyn, ac yr ydych wedi dechrau ei ateb, yw: pa dystiolaeth sy'n bodoli bod y prifysgolion yn Nghymru wedi cyfrannu at les a ffyniant economaidd Cymru, gan edrych ar y dystiolaeth o'r ardaloedd hynny lle mae'r prifysgolion yn bodoli'n barod ac wedi bodoli ers 100 mlynedd a mwy?

asked, and that you have partially answered, is this: what evidence is there that Welsh universities have contributed to the economic wellbeing and prosperity of Wales, looking at the evidence from areas where universities already exist and have existed for 100 years and more?

[27] **Professor Davies:** The evidence is mounting, emphasising that, in terms of the transformational activities that we need to see, we are only beginning. I accept that completely. Elsewhere in the world, there are wonderful examples of higher education being transformational. In the States, the claim is that nearly every major economic regeneration area is based around research activity in a university or major research centre. We have not been emulating that in Wales. That is the real challenge. We do not want more of the same; we have to start thinking differently. I want to reassure the committee that the sense in higher education in Wales is that we are ready to move—some of us have already been moving—the mission of universities to delivery in the economic area. That is not what was traditionally asked of us.

[28] **Mr Walker:** There are examples across Europe where a transformational approach has been taken, such as in Saxony in eastern Germany, which has invested over 40% of its ERDF investment in stretching innovation, science and research. That has had a dramatic effect, and part of Saxony does not now qualify for the next round of convergence funding. So, there are some case studies of areas in Europe that have taken a transformational approach and, as a result, have made real progress in terms of their GVA per head.

[29] **Professor Gummatt:** I will add a little to that. First, I would not underplay the economic significance of universities simply as local organisations and employers. It is very easy to demonstrate—we can supply the evidence, because it has been extensively studied—that you get significant multiplier effects from the sheer presence of these organisations. You run a tourism business on the principle that people come to your locality, they spend more than it costs to have them there and you end up with cash in hand. Universities in Wales do that in abundance. We get students coming from England in large numbers and spend more than they cost to be here. So, simply at that most basic level, money is being made in Wales. Actually, the story is a lot more powerful than that, but at that most basic level, it is happening.

[30] There is a lot of evidence, and we have contributed to studies of this sort around the broader economic benefits. It is variable—it varies by institution and there is a lot more to do; I agree entirely with Richard on that. What is very clear is that strong research centres attract companies. It is interesting in this context to see what is happening in London. If you heard the speech by the UK Minister for Business, Innovation and Skills about a week ago, he is now calling for the development of, essentially, a privately invested-in graduate science and technology university in a major city in the UK—although he says in the UK, it is hard to imagine that it would not be in England, and it would almost certainly be in London or somewhere around Cambridge. Why? For this very reason, which is the very clear international evidence that, the more that you build up mass, particularly in terms of strong science and technology centres, and increasingly at graduate level, the more you attract companies, the more you attract inward investment. Our problem in Wales in this regard is in significant part about mass. It is because we are operating on a smaller scale that we constantly find it a struggle to keep up with these big investment injections in England, in particular. That is why we see such an opportunity here—there is an opportunity for Wales, through the structural funds in particular, that is not available in England, so we could do something to redress this balance. That is why we think that there is a real opportunity to seize here.

[31] **Nick Ramsay:** David Rees, did you have a supplementary question?

[32] **David Rees:** I was pleased to hear your view that the HE sector is working collaboratively to develop strategies for Wales. You mentioned that you were not asked to look in that direction. Is it therefore fair to say that, in the past, HE stood back a little and was conservative in its approach to this? Does it now recognise that there is a need to collaborate, not on a regional level within Wales, but with a pan-Wales vision? Does collaboration now need to take place on that level, rather than between individual institutions in isolation, as it was many years ago, as I remember?

[33] **Professor Davies:** That is an important point. It would be unfair to characterise this as universities sitting back. We have not had the response in Wales in recent years. It was a disappointment to me coming from England, where there was far more engagement between different sectors of Government and higher education in making things happen—at least in the area of England where I was working. I came to Wales and found uncertainty, and it was difficult to move projects ahead. We were still talking about policy rather than implementation. I would say that we are frustrated, rather than having stood back. We have not been able to achieve everything that we would have liked for Wales because of the rather weak implementation environment here. I am not just blaming the Government here—the lack of large companies is a fundamental issue. We recognise, however, that we have a responsibility, being supported by a considerable amount of money from the taxpayer, directly or indirectly, to help transform the regions in which we are based. Every university buys into that. In the past, they bought into it primarily in the skills agenda, but we now buy into that on a much wider agenda. Particularly with the larger, research-led universities, we know from examples across the UK, Europe and the developed world that we have the capacity to do very big things. I have been talking to large companies and asking them about investing in Wales, and we have had some very positive responses.

[34] **Mr Walker:** May I briefly come in on that? Under the Objective 1 programme, there was criticism that some universities were taking an individual project approach, but, under the current convergence programme, we have seen a series of pan-Wales collaborative ventures being launched. You will be aware of the Low Carbon Research Institute, the Climate Change Consortium for Wales, ASTUTE, which we mentioned in our paper, and which is a manufacturing project, and the High Performance Computing Wales project; they all involve the best researchers from those institutions in Wales that have talent in the relevant area. Under the ESF, we have several wholly collaborative foundation degree projects; we have a knowledge economy skills project; and, indeed, the University of the Heads of the Valleys Institute itself received some ESF funding to get it going. That is of course a collaborative venture between the universities of Glamorgan and Newport. While lack of collaboration might have been a criticism five or 10 years ago, I think that things are changing, and in the next round, things will have to move further in that direction.

[35] **David Rees:** I appreciate that, but you will know that HPC Wales is very recent, and it will be interesting to see some of the projects that it will be working on. Having it is one thing, but being able to use it is another. We had a lot of systems in Cardiff before that, so we can build upon those. ASTUTE is led by Swansea University, and again, these are recent developments. I am pleased to see them, but as you say, there is a history beyond that, is there not?

[36] **Mr Walker:** That is a fair comment.

[37] **Nick Ramsay:** Leanne Wood, do you have a brief supplementary question before we move on?



[38] **Leanne Wood:** Yes. I think that we all support the focus on transformation and outcomes being very different at the end of this process. What I am trying to get my head around is that if transformation is the focus this time, what was the focus before and why did we fail to maximise the previous opportunities that we had? What Ffred was trying to get at was that HE has a huge role to play in the economy of Wales, but that you have had those responsibilities before. So, why have we not had an improvement in the economy of west Wales and the Valleys up until now?

[39] **Mr Walker:** There has been some improvement with regard to some indices, but on the key indicator of GVA per head, there have clearly been some very disappointing figures. One point that we want to make is that we do not think that we have seen hitherto, even in the existing programme, a truly transformational approach. With regard to the approach to larger strategic projects—and some of the ones that I have mentioned are valuable projects in themselves—we have not gone nearly as far as we need to go.

[40] **Leanne Wood:** So, if they were not transformational, what were they?

[41] **Mr Walker:** The European Commission produced a guidance note in a booklet recently that talks about a transactional versus a transformational approach. Hitherto, there has been too much of a transactional approach, with a focus on certain outputs. The Welsh European Funding Office is focused very much on certain outputs, which are worthy in themselves, but do not in the medium to long term create the type of structural change in the Welsh economy that is needed. That is why we have identified in aspects of our paper elements of focusing on smart specialisation and on using research as a key output, so that we can synergise our work on structural funds with the massive opportunities for leveraging in money from Horizon 2020. As you will be aware, there are calls for €10 billion or €11 billion a year for Horizon 2020, and after 2020, this will be the only game in town with regard to leveraging resources into Wales if we do not qualify again for structural funds, which is our aim after 2020. So, we have not had a transformational approach hitherto—we have had a transactional approach—and with the Commission and its advisers, we urge a shift towards a transformational approach.

[42] **Leanne Wood:** Thank you for that answer. Could I have a view from the FSB on that as well, given that it has been quite HE-heavy so far?

[43] **Nick Ramsay:** Joyce Watson has a specific question for the FSB. I know that Phil Gummett and Iestyn wanted to come in on that last question, but if we take Joyce's question first, you could both make any points that you wanted to make.

[44] **Joyce Watson:** You have sat there quietly and have listened to the debate so far. Do you agree with the HE representatives that a transformational approach is required for the Welsh economy, focused on investing in those elements that will bring about a knowledge-based economy?

[45] **Mr I. Davies:** There are two elements to that question—whether we believe in transformation and what structural funds are about, given that they are not about transformation. Perhaps there is a language issue here, but I do not see at this point that we have had an answer to Alun Ffred's question. My simple question is: if it was working, why is the Welsh economy still bust? I do not think that there is much more that we can ask about that, because if the delivery mechanism focusing on HE, the voluntary sector and other areas was working and was bringing about the transformational change that we require, why has it not happened? There are some fundamental questions to be asked about how we try to achieve the distinction between the aims and the ends here.

[46] Yes, we agree with transformation and, yes, we recognise that HE, the voluntary

sector and any other partners within the distinct and broad civic economy of Wales have a role to play. However, our fundamental position is that, within that broad ecology of partners that must deliver that transformation, business itself is often left out and is the final recipient in the way that these funds and programmes are structured.

[47] **Joyce Watson:** We heard evidence yesterday that refuted that claim. There was a debate in the Assembly, which I am sure your colleagues will have looked at. The claim in your paper, which you have again claimed now, that business was being left out was refuted by the number of successful applications and the amount of funding that was received. More than 500 businesses received funding, against many fewer bodies in the public sector.

10.00 a.m.

[48] That being the case, how does it sit with—this is the problem that I am having and which other people were having yesterday—the claim that we hear all the time from the business sector that they are being left behind? The two do not marry.

[49] **Mr I. Davies:** I fully appreciate that evidence needs to be looked at, and it is important that it is considered. If you are talking about 500 recipients out of the hundreds of thousands of businesses that exist, in terms of proportion, many more businesses are not receiving assistance from and access to the transformational potential that these funds offer for our communities and businesses than do receive that assistance and access. When they receive that financial support and intervention, is it in a way—because of the way that the funds have been structured in the first place—that allows them to do the best they possibly can? To some degree, that is similar to what the higher education sector has been saying. If you are asking businesses to deliver bananas but the economy actually needs apples, it does not matter how many bananas you get them to produce, because it will not help or develop the economy. We need to decide what business really wants to be delivering. That is why this question is about not who gets their hands on the funds, but how business engages at this level of deciding the framework and parameters for the delivery.

[50] It is not as simple as saying that x number of commercial business propositions will receive funding versus the number that have received it in the voluntary sector or in the HE sector. It is about what those businesses are able to deliver for the economy and what the indigenous economy of Wales needs compared with the economy of England, because there is a difference already. From the evidence that we have heard this morning, the HE model that was successful in England has not worked in Wales. So, what does the economy and business of Wales need? At that level, we need to ask the question of business. We welcome the opportunity to give this evidence today at this stage, without simply saying that you have had x share of the cake.

[51] **Professor Gummatt:** Rolling on seamlessly from the last point, I would take, from what Iestyn has just said, that there is a critical role for business in the shaping of the innovation strategy, which Wales needs and is developing anyway, but which the European Commission says will be an essential element for being able to draw down European funding in the future. We are going in the right direction in the sense that we have the policy principles established, but how skilful and effective will we be at drawing the right people together to ensure that that innovation strategy is as well-crafted and productive as it can be, and that it plays to strengths and does not try to go in the apples direction if we can do bananas? We really need to play to strengths, and that means playing to strengths in business as well as in universities and in all other areas.

[52] Going back to the word ‘transformation’, it is perhaps worth recalling that the reason Richard and I introduced it earlier was not because there is any claim that it is what universities have been doing—that was not the argument that we were trying to make.

However, I read the European Commission documents as saying that that is what they expect this funding to be used for in the future. It was not an attempt to give a retrospective justification and say that that is what we have done, and to answer the question of why it has not worked; it is more a matter of saying that that is what will be expected now, in that they will be looking for transformative activities. However, if we pick up the question of what the problem with regard to previous activities has been, I would repeat that a significant part of it has been scale. It is fine if, in Wales, we say let us divide the cake in ways that somehow seem fair across all parties, but if the result is that the slices are too thin to be effective in competition with other parts of the UK or Europe more widely, we will not get far with it.

[53] The reference in all of this to potentially peer reviewing an innovation strategy is important. If it will not cut the mustard in terms of delivering funding of sufficient scale for individual blocks of activity that really will enable transformation against the competition from elsewhere, we will be putting a patch on something for a little bit longer and keeping something going for a little bit longer, but when the money stops, so will the activity.

[54] In contrast, we can build new capacity. For example, the Medical Research Council and the Wellcome Trust undertook a detailed study recently looking at one aspect of medical practice over the last 20 years, namely cardiovascular disease. They concluded that for every £1 invested in research into cardiovascular disease, there was a return to the UK economy of 39p per year for the indefinite future. So, within three years you get your money back, and it runs on from there. That is partly through the consequences for GDP of improved health and partly through medical instruments and devices and so on. You can do that over and over again. That is the kind of thing that we have in mind when we talk about transformation. We have to get to the point where we can make a difference on that sort of scale, where the investments are big enough for us to then start to attract additional companies and build the companies that are already in Wales, working in close partnership with them. If we do it on too small a scale, we will end up with activities that will run for a little while, for as long as the money is there. The money then stops and we are back where we were; that is the challenge.

[55] **Julie James:** I want to follow up on this business of slices of the pie, and whether we are producing apples or bananas, which is a rubbish analogy, if you do not mind me saying so. The fundamental point here is that we are talking about putting public sector money, whether it is from Europe or Wales, into sectors to enable them to do something that will transform the economy in a way that they cannot do without that public sector investment. That is what we are looking at today. I am not hearing from any of you that this is something that you all desperately want to do, but for want of £5 you have been unable to do it. I have heard that slightly from the university sector, but I have not yet heard anything from the Welsh Government as to what it thinks of it, and I have not really heard that from you, either. I understand the point about needing to be involved at a stage where you are setting the directions, but what is it that you are trying to do that this investment will enable you to do?

[56] **Mr I. Davies:** Fundamentally, there are challenges to the ability of business to grow organically. One of the key areas is cash flow and liquidity; if you need capital, how do you get your hands on it? One of the observations that I would draw from our evidence is that intervention rates, for instance, need to be set at a point that releases the very little capital available in the current economic climate to increase stock, machinery, training or whatever that cash flow is required for. If you set implementation rates at 50%, you have 50% of capital to find elsewhere; that is difficult to do in the current climate. Businesses are saying to us that there is a need to use European structural funds to replace what they would have had from other commercial sources. Businesses need finance to grow, whether it is for capital, infrastructure or people, and they cannot finance those things for themselves. I can give you anecdotal examples of the numerous phone calls that we receive from our members saying that they need £10,000 or £15,000 to pay for a machine or to retrain staff, or that they need to

expand but they cannot get a loan to buy the second part of the building that they already occupy, so are asking whether they can find space elsewhere. Those are fundamental questions.

[57] On what businesses want to do, the second point in our evidence is that businesses want to be able to retain, train, support and develop people in their business community. They do not want to see the great infrastructure projects that are very much needed in Wales being routes out; they want to them to be routes in to grow and sustain a strong business community where those businesses are based. We need, therefore, to understand what we mean by a region, community or town in the framework. Are we looking, for instance, to train people in town X, or are we prepared to see those people be fluid and move across regions? If that means that there is a slightly more developed economy just 15 or 20 miles away that is now only 20 minutes away because of the infrastructure projects that have been so successful over the years, where does that then leave the local economy where the people were trained? There is a need to understand the way that businesses function: where they get their labour market from, where they get the people who need training. So, as well as being able to get capital to invest, it is about being able to ensure that the people who are being trained stay within that business community—not exclusively, because we do not want them there and nowhere else, but if they are trained in one place they then go elsewhere because the infrastructure allows them to be more mobile, that compromises what has been established. Our members are very aware of the principle of a route out, not a route in. So, when we conceive which areas benefit, we have to be mindful of those factors. Hopefully, there are two more concrete examples there.

[58] **Julie James:** I understand the points that you were making entirely. However, if you do not mind my saying so, there is a big difference between European structural funding—whether it is European regional development fund or European social fund—and venture capital, which was one of the things that you were talking about. It is not a substitute for venture or investment capital, and the challenge for business, therefore, is to fit itself into the programme—

[59] **Nick Ramsay:** Julie—

[60] **Julie James:** May I just finish the point?

[61] **Nick Ramsay:** You were going off the point with that question.

[62] **Julie James:** I was not.

[63] **Nick Ramsay:** Well, please get to your point quickly.

[64] **Julie James:** Okay, let me get to the point, then. The point exactly—my colleague, David Rees, has mentioned this already—is that we are talking here about a region of Wales. Our problem in Wales is that we think of a region as being of a certain size, but the European idea of a region is much larger. That is a fundamental problem for you and I would like to hear more about that. Sorry, that was the point that I was getting to, Chair. In your evidence, you set out the contradiction yourself. That is the challenge for us.

[65] **Nick Ramsay:** At this point, I would like to bring in David Rees. We have a number of questions left and time is moving on, so if the panel could be succinct in their answers and Members succinct in their questions, that would be very helpful.

[66] **David Rees:** I will try, Chair. Professor Gummatt mentioned the regional innovation strategy concept. I will say ‘Welsh’ rather than ‘regional’, because in higher education, we may be talking about different regions anyway. So, I will talk about the Welsh regional

innovation strategy. The Higher Education Wales paper stated in bold print that:

[67] ‘Universities are enthusiastic about playing a central role in collaborating with the Welsh Government on formulating an innovation strategy for Wales.’

[68] What discussions have you had, therefore, with business? You have raised the issue of business today, but business is not mentioned in that part of your paper. What discussions have you had with other universities, because universities collaborate? It is one thing for universities to collaborate with the Government, but quite another for them to collaborate with one another, which has been problematic in the past. What discussions have you had with the Welsh Government about this concept?

[69] **Professor Davies:** That is fundamental in tidying up many of the issues here. There is no question that universities spend a lot of time talking to industry—we have to. It supports many of our activities, it invests heavily in universities and a lot of our capital investment comes directly from industry and, of course, it employs our graduates. David Rees will know that a science and innovation campus is being rolled out in his constituency. It has been designed and developed through discussions with industry, and its shape will be governed by what industry wants. However, the point on partnership needs a little clarification.

[70] This is not rocket science. We know how other countries have managed to do transformational things with their economies. That has been done through partnership approaches—not just partnerships of universities working together, or of local authorities working together, but of all agencies working together. That is how you get the considerable added value that we are looking for. There are many examples of individual projects that have been successful in Wales, but we do not have that big, united effort that adds value across them all. It is those partnerships that we have to work on. We are hopeful that, as the innovation strategy is developed in Wales, universities will contribute. We have academics who research economic regeneration and we have implementers who want to make a difference in Wales. Both of those sides need to be heard. However, that is also true of industry.

[71] That brings me back to my critical point that this has to include large companies as well as smaller companies. You cannot create the high-tech clusters that we need without large companies being heavily involved. The wealth created by many universities in Wales is being generated outside Wales, because that is where the large companies are taking that expertise. We need to bring that back and use it to create clusters. We cannot do that on our own.

[72] **David Rees:** May I follow up on that point, Chair?

[73] **Nick Ramsay:** Yes, but very briefly.

10.15 a.m.

[74] **David Rees:** You mentioned large industries, and I agree with all of that; I am pleased to see that you are talking to large companies. However, what about the small businesses that form part of the supply chain? Clearly, they need work in those regions. You also mentioned peer review of the strategy. Who would be the peers in this case?

[75] **Professor Davies:** On the final point first, we asked in Brussels about who would do the peer review, and whether it would just be other practitioners in Europe. They said ‘no’, and that they would be looking for people with the most experience of economic regeneration across the world to comment. However, we have not had any firm proposals on that yet—these are the policy makers’ initial thoughts on how this would go forward. So, we cannot

give you much more information.

[76] **David Rees:** What about the question on small and medium-sized enterprises and discussions with them with regard to the supply chain?

[77] **Professor Davies:** There are two ways in which universities engage with small and medium-sized enterprises. One way is through day-to-day interaction, and just doing work with them, but, more importantly, another is through large companies. I have been heavily involved in England on this, because large companies work very hard to support their supply chains. They bring in universities to up the skills and expertise within the smaller companies to meet their quality standards. That is a fundamental way in which universities work with more technically-orientated small companies. However, there are many other types of small companies with which we interact differently.

[78] **Mr B. Davies:** To come back to the point that Richard mentioned about peer review, I refer to the fact that the Organisation for Economic Co-operation and Development has been working with the European Commission since 2007 on evaluating regional innovation systems in all OECD countries. It invites regional authorities or countries within the OECD to submit their regional innovation strategies for review by the OECD team. It has a specific methodology, whereby it has, up until now, classified regions into three different types of regional profiles for innovation. Within that methodology, it has eight different criteria for evaluating innovation. So, that is a possibility for us to look at so that, when we are developing our regional innovation strategy, we can compare it with the best in the world.

[79] **William Powell:** Moving back to the issue of transformational change, which the professors in their opening remarks stressed has been so much the focus of Commissioner Hahn and his colleagues, Greg Walker also referred in his remarks to the remarkable success of the Saxony model in that regard. What share of future EU structural funds do you believe should be dedicated to research and innovation? What evidence beyond the Saxony model could we draw on to back up that approach?

[80] **Mr Walker:** As I mentioned, 40% was the threshold that Saxony aimed for and achieved in its transformational approach, which led to it succeeding in levering itself out of the convergence programme beyond 2014. I see no reason why we should not aim for that ballpark figure. That would be ambitious and it would set universities a challenge; it would also set colleagues in business a challenge. If that was taken forward by the managing authority, that level of investment in research, innovation, SME engagement and low carbon would potentially deliver transformative impacts.

[81] **Mr B. Davies:** The threshold for both ERDF and ESF in Saxony is 40%.

[82] **Mr Walker:** That is one of the good points in the draft regulations, namely that research and development and low carbon are also being mainstreamed within the European social fund. So, ESF programmes can have very significant elements that address those priority themes, and that is a key opportunity. That is one of the reasons we have welcomed the draft regulations so much.

[83] **William Powell:** Thank you for that. Are there other examples beyond the Saxony example, to which you refer in your paper, that further lend support to this approach?

[84] **Mr B. Davies:** Yes. Going back to the OECD studies, a number of regional innovation strategies have been evaluated. Two areas that have been noted as excellent are the Basque Country and Catalunya, although they have very different regional profiles.

[85] **Nick Ramsay:** We do not really have time for another question, David. I will move

on to Julie James now, and you can come in after that if you want.

[86] **Julie James:** I will try to be brief. Building slightly on the point that we started to discuss earlier, my question is aimed at the HE people, but it would be interesting to hear views across the piece. Why should we be using these public, European and Welsh Government investment funds to support research in universities that are already being funded by tuition fees and other grant-funded mechanisms, and are, by your own admission, getting money in from various other companies and so on? What is your case for getting this public funding? I would be very interested to know whether the FSB agrees with that.

[87] **Professor Davies:** Tuition fees do not fund research, and students would be very cross if we tried to use tuition fees to subsidise research. The importance of research when it comes to economic regeneration is demonstrated again and again by the detailed research evidence and the way in which higher education is attractive to large companies. I talked earlier about the detailed discussions that we have had with multinational companies. What is going to attract them to Wales? It is research that excites them; and it is research that we can do but they cannot do. It is cutting-edge and original research. It is the academics who are working with the top academics across the world and, therefore, are right ahead of the game. That is why industry is looking for more and more research and development with universities rather than doing it in-house. That has been a major sea change that I have seen over the last 10 years. We, just as one university, have the potential to attract a considerable amount of inward investment, because people want to work closely with us.

[88] The other thing that industry is looking for from the universities is highly skilled people. This is not just about graduates; in fact, it is much more concerned about talent flow at the highest levels. It is looking for people on the advanced business courses and for scientists, engineers and technologists with their MBAs, PhDs and so on. It is looking for those specialised staff.

[89] **Julie James:** I take that point entirely, and I am very supportive of all of it. What we are asking here is this: why are those big multinational companies not funding that research if it is for them and their businesses? What is the added value of the European structural funding to that?

[90] **Professor Davies:** The way in which technology transfer works is that there are more blue-sky elements that go on to support the intellectual capacity of universities, and that is what drives new thinking. The problem is in taking that through applied stages, the proving stages, the prototyping stages, the testing and then actually making the money. Industry will pay a lot for the middle stage of that linear process, but it will not do the more blue-sky and theoretical stuff, because it can pick it up around the world. It has recently discovered that, to get this process to work efficiently, you cannot operate it linearly. When companies start prototyping, they hit problems that they do not understand, but the academics who originally developed some of the concepts do understand them. Industry wants to do the prototyping alongside leading university research departments, so that you have academics checking what is going on. It is an iterative process, but it is paying for that. We are diversifying our funding dramatically and we get a substantial amount of funding. We are not subsidising large companies. On the contrary, we are using our expertise to attract them to Wales to ensure that that expertise is not exploited somewhere else in the world.

[91] **Professor Gummatt:** To go back to the original question of why seek to use European funding when there is other funding there, it is simply because the other funding is not sufficient. It is not sufficient for us to be in the game at the serious level that we need. I have the figures for research funding per research members of staff in our universities, broken down by regions of England. Wales is lower than every English region except for the east Midlands. We are spending to the limit of what is available through our current funding.

[92] Research is a brutally competitive business. The prizes go to the people at the front. There is not much point being second and there is absolutely no point being third class. If you are not first class, you are out of the game. So, if public funding going into east England, around Cambridge, means spending £47,500 per member of staff per year—we are spending less than £30,000 here—that is 50% more spending in the east of England. If we want to be able to compete with the kind of research base—and the innovation base that grows around that in order to attract companies—we have to have something there for them to attach themselves to. That is the problem. We cannot do that in every area, and it would be daft to try. A series of approaches is being developed to identify areas of strength. That is coming through in the science strategy and will hopefully come through in the innovation strategy, for example, low carbon has been mentioned, but there are others that could be mentioned. We need to concentrate on areas of established strength between universities and business. There is also strong business capacity in these areas. However, we need to build those synergistically together, putting in the massive investment that is needed to be able to cut the mustard in terms of the big money that is being invested in other places.

[93] **Nick Ramsay:** I would like to bring in Mr Davies at this point on this issue of the concentration of resources on a few lesser priorities. Do you agree with focusing a high proportion of funding on research and innovation in future programmes?

[94] **Mr I. Davies:** Yes. We do not see this innovation in terms of HE versus small business. I do not want to set up that kind of tension, but when priorities are agreed for HE, or indeed for the voluntary sector elsewhere in terms of stakeholders delivering these programmes, they have to be focused on delivering benefits to small and indigenous businesses and not just to the Microsofts, anchor companies or what can become vanity projects within the wider economy. We bring them in because they look good, but we know that that does not work.

[95] Briefly, on Julie's point on the type of funding that we are looking at, there is a role to look at what happens to the likes of the JEREMIE and JESSICA funds, where we need capital. That is germane to the discussion on structural funds. When we create the main thrust of the ERDF and ESF, namely the main areas of European funding, whether that funding goes to HE or to the voluntary sector, the assumption must be pro-enterprise and pro-indigenous enterprise. I do not want you to think that I am saying 'Do not bring in the Microsofts'; we are not dealing with a simple binary proposition here, if I can borrow some academic language for a change. We are looking at a much more nuanced, dimensional—

[96] **Nick Ramsay:** Not apples and bananas—

[97] **Mr I. Davies:** I do not want to be accused of being too folksy. The more amorphous, dynamic and multifaceted the structure is to allow it to be predicated on a pro-enterprise business assumption, the better. I cannot say what that will look like for small businesses, because there is no such thing as a typical small business—we are talking about micro or zero employees to up to 250 employees, so it will look very different. However, the assumption has to be pro-enterprise and the structure has to reflect the need to grow the indigenous Welsh economy. To answer Alun Ffred Jones's question, if this was doing that, why has it not already done it? That is not an over-criticism of HE and its role—I am not saying that it does not have a role to play, but rather that the structures that allow it, and other sectors, to play that role have to be predicated on that assumption.

[98] **Joyce Watson:** My question is to the FSB and to the universities and the higher education organisations. I did a business tour in the summer. I went around many small and medium-sized businesses. One issue that was raised repeatedly was the lack of a link between your organisations. This relates to your point about keeping people in a business. There was



one business that was reaching the stage where all of its key people—and it was a substantial employer in its sector—were coming up to retirement. It needed to bring people through and train them to keep the business going and to enable its growth, because it was quite innovative. However, it found that there was a lack of available support to do so. It was about a knowledge economy, finance, help and support for that. So, how would you marry those two bits—I am sure that that is what you are trying to say—in plain English that we will all understand? That was the missing bit.

10.30 a.m.

[99] **Mr I. Davies:** In plain English, or plain Welsh, it is about asking those businesses, as you have done in your constituency work, what they need from this programme. I mentioned the role of intermediaries briefly in our submission and who is brokering these relationships. We have to ensure that they have the skills to be able to truly get from business what business wants and needs. That concurs with the point that has been made: the overarching system is fine, but how that is applied in Wales will be where we get, or do not get, results. We could carry on the same way by not engaging more effectively with businesses and then find ourselves looking at a fourth round of European funding. We do not want to do that.

[100] **Keith Davies:** Mae gennyf gwestiwn i Iestyn ac i Richard Davies. Mae trafodaethau rhwng y prifysgolion a'r cwmnïau enfawr—a dyna sut y bydd pethau'n gweithio, oherwydd rydych yn sôn am arbenigedd deallusol mewn pedwar maes—ond beth yw'r cysylltiad rhwng busnesau bach a'r prifysgolion? Rwy'n deall y berthynas â'r cwmnïau mawr ond pa drafodaethau rydych yn eu cael ar sut mae pethau'n symud ymlaen?

**Keith Davies:** I have a question for Iestyn and Richard Davies. There are discussions between universities and multinational companies—that is how things are going to work, because you talk about smart specialisation in four fields—but what is the link between these small businesses and universities? I can see it with the large companies, but what discussions are you having about how things are moving forward?

[101] **Mr I. Davies:** Nid yw'n gwestiwn o ddiffyg ewyllys, ond rydych yn sôn am fagu gallu gwahanol er mwyn sicrhau bod y broses yn effeithlon. Ar hyn o bryd mae llawer o ewyllys da, ond nid wyf yn ein gweld yn clywed y bydd hynny'n gwireddu pethau ar lawr gwlad. Mae angen bathu ffyrdd newydd o wneud hynny. Rydym yn selog, yn credu hynny 100%, yn awr.

**Mr I. Davies:** It is not an absence of good will, but you are talking about developing different expertise to ensure that that process is effective. At the moment there is a great deal of good will, but I do not see that that is achieving anything at grass-roots level. So, we need to find new ways of doing that. I am certainly, 100%, of that opinion.

[102] **Byron Davies:** We have heard quite clearly today from the HE sector with regard to the number of measures through which EU structural fund programmes could be used to develop research capacity and improve performance by Welsh academia in the competitive EU research funding programmes. Have these views been discussed with the Welsh Government at all? If so, to what extent are they supported?

[103] **Professor Davies:** They are most certainly supported, and have been for many years. As I was saying earlier, there are a number of outstanding examples in Wales of achievements. Many of those have been match funded, or have received extra funding from the Welsh Government, and they are projects that are sustainable and are still generating jobs and wealth. The issue that we have is of the transformational element. Five or six significant projects will not transform the Welsh economy. Somehow, we have to do something much bigger. I am proud of the Institute of Life Science at Swansea and am grateful for the massive support from European funding and from the Welsh Government. You can see the small

companies working in it and the jobs being created there. However, those hundreds of jobs will not be sufficient to transform the Welsh economy, and that is what we have to do.

[104] **Professor Gummatt:** In terms of discussion with the Welsh Government, we have been closely in touch with the evolving work on the science strategy with the chief scientific adviser for Wales. He published a consultation and we are now waiting for the outcome of Cabinet discussions and an announcement, as you know. In that consultation he talked strongly about concentrating effort in a range of areas of existing strength, and then looking for ways to make additional investments and build on those areas; not to start in fresh areas, because we know that that is really hard to do. All of that is, therefore, consistent. So, it was not so much about the use of European funding, but there is a discussion going on there that seems to me to fit precisely into the direction of travel that is being asked for by the Commission. So, I think that they are all reasonably together in terms of the principles of this, but the real challenge is whether we can get the delivery act together.

[105] **Nick Ramsay:** I will bring the session to a close shortly. Leanne Wood, I am mindful that we did not reach your question. Are you happy for us to close the session?

[106] **Leanne Wood:** Yes. It has been covered.

[107] **Nick Ramsay:** I see that David Rees wants to contribute. I should have known that you would come back in with your question.

[108] **David Rees:** I have a couple of questions. [*Laughter.*]

[109] **Nick Ramsay:** You may ask one question or no questions. [*Laughter.*]

[110] **David Rees:** On the issue of funding aspects, we also talk about FP7 projects. How many FP7 projects are we involved in? Clearly, the goal would be to get more involved in FP7 and Horizon 2020 will direct us there. How many are we currently involved in and what is your ambition for using that sort of approach in the years post 2014?

[111] **Mr Walker:** I would not want to mislead the committee by giving the wrong figure, but we can supply that in a note. There has certainly been a big push from within the sector in the past year or two to ensure that there is a new collaborative approach in order to get together framework programme bids. We do well as compared to some other European regions but not when we compare ourselves with others in the UK, not least because of the research strength of the south-east of England, Scotland and so on. This is a priority area for us. There are a number of projects we are involved with, including all different types of universities in Wales. However, you are absolutely right, David. One further point I was going to add to an earlier question from Julie about the benefits to Wales of investing in research directly was that one benefit would be the ability to lever in resources we would not otherwise get into Wales through Horizon 2020 or the current framework programme and through research councils. If we can strengthen that, we can lever in resources that we would not otherwise have.

[112] **Mr B. Davies:** To support what Greg has just said, the Commission is stressing that there is an alignment between all European funds, and particularly between structural funds and Horizon 2020. They are travelling in the same direction, particularly with regard to collaboration between universities and business.

[113] **Nick Ramsay:** Great. I thank the witnesses for attending today and for giving such full and detailed answers. I thank Iestyn Davies from the FSB, Phil Gummatt, Richard B. Davies, Greg Walker and Berwyn Davies; that was a very useful session. We will feed what you have told us into our inquiry into the draft legislative proposals for structural funds.

Thank you for coming today.

10.39 a.m.

**Ymchwiliad i'r Cynigion Deddfwriaethol Drafft Ynghylch Cronfeydd  
Strwythurol yr UE ar gyfer 2014-20: Sesiwn Dystiolaeth  
Inquiry into the Draft Legislative Proposals for EU Structural Funds 2014-20:  
Evidence Session**

[114] **Nick Ramsay:** I welcome the witnesses to the meeting. Thank you all for your written evidence, which you provided in advance. I am sorry that we are a bit late bringing you into the room. Today, we have with us Judith Stone, who is the third sector European team manager for the Wales Council for Voluntary Action. Welcome. We also have Phil Fiander, who is the director of programmes for the WCVA; Katy Chamberlain, who is the chief executive of Chwarae Teg; Lowri Gwilym, who is the team manager for Europe and regeneration for the Welsh Local Government Association; Neville Davies, who is a European adviser to the WLGA and the head of European policy and external funding for Carmarthenshire County Council; and Peter Mortimer, who is a European adviser to the WLGA and the regeneration manager for Rhondda Cynon Taf County Borough Council. Welcome and thank you for coming today. Would you like to make some very brief opening statements? Perhaps Judith could go first.

[115] **Ms Stone:** Good morning, Members. Thank you very much for inviting the WCVA to provide evidence to the inquiry today. My name is Judith Stone and I am the manager of the third sector European team, which is part funded by WEFO to provide information, advice and support to third sector organisations that seek to benefit from structural funds. As part of that remit, I have been leading on our input into the development of the new programmes post 2013. I am joined by Phil Fiander, who is the WCVA's director of programmes and member of the programme monitoring committee, and is someone who has vast experience of structural funds in Wales. I am also joined by Katy Chamberlain, the chief executive of Chwarae Teg, which has a strong track record of delivering European-funded projects and is currently a sponsor of the ESF Agile Nation project.

[116] This inquiry comes at a critical juncture in the delivery of the 2007-13 programmes, as WEFO starts to consider which projects may fit the strategic direction of future programmes, and which projects may be granted extensions to the end of 2013. The WCVA believes that project extensions are vital to ensuring that there is a smooth transition from one programme to the next and that the delays to implementation experienced at the start of the current round are avoided. That point was well made by my colleagues to the Finance Committee earlier this morning.

[117] In relation to the remit of this inquiry, the WCVA welcomes the draft legislative package proposed by the Commission for the 2014-20 programmes, and we hope that they will not be subject to significant amendment following the negotiations. In particular, we welcome the proposals for the harmonisation of the rules; for making multi-fund projects possible; the ring-fenced funding for promoting social inclusion and combating poverty; the inclusion of social innovation as a theme within the programmes; the more flexible funding mechanisms in the form of competitive or global grants and lump sum payments as an alternative to procurement; the increased use of financial instruments as a way of reducing grant dependency; the simplified costs that could help reduce bureaucracy; the proposals for capacity building and technical assistance for the third sector; and community-led local development approaches, provided that the third sector is engaged on a fair basis and as an equal partner. Our key concerns are how Welsh stakeholders will be involved in the partnership contract between the UK Government and the European Commission and any

restrictions imposed on spend for urban regeneration in Wales. I will pass over to Katy, who will provide you with some introductory remarks.

[118] **Ms Chamberlain:** Thank you for the opportunity to be here today. I am the chief executive of Chwarae Teg, the charity that works to promote women's economic development across Wales. We have delivered a range of projects using European funding over the 20 years of our existence. Our ongoing major project is the ESF-funded Agile Nation project that promotes gender equality in employment. I can speak from experience as a chartered accountant who has many years' experience of working with government officials on grant-funded projects. That, to some extent, informed our take on the issues that we put into our response to the consultation exercise. I am here to support the recommendations of the WCVA. Our response focuses on areas that were informed by our own experience, in particular around proposals to streamline and simplify eligibility rules and how important it is that those are designed with the third sector in mind. I support the comments of my fellow participants on the need for flexibility of rules around funding instruments and the generation of income streams, in particular in recognising the low risk that this presents in respect of not-for-profit and third sector organisations. I can also speak from the experience of Chwarae Teg on transnational working and how it has enhanced some of the work that we have done to improve local initiatives. I am happy to share our experience on this or on any other points.

[119] **Ms Gwilym:** Bore da. Yn gyntaf, diolch i'r pwyllgor am y gwahoddiad i roi tystiolaeth. Fy enw yw Lowri Gwilym, ac rwy'n arwain tîm Ewrop ac adfywio Cymdeithas Llywodraeth Leol Cymru. Gyda fi mae Neville Davies, sef pennaeth polisi Ewropeaidd a chyllid allanol Cyngor Sir Gâr, a Peter Mortimer, rheolwr adfywio cyngor Rhondda Cynon Taf. Mae Neville a Peter yn gweithio'n agos iawn gyda CLILC ar ein gwaith Ewropeaidd ac ar nifer o'r pwyllgorau sy'n delio â'r rhaglenni presennol, gan ddechrau edrych ar siâp y rhaglenni nesaf.

**Ms Gwilym:** Good morning. First, I thank the committee for the invitation to give evidence. My name is Lowri Gwilym, and I am the Europe and regeneration team leader for the Welsh Local Government Association. I am joined by Neville Davies, Carmarthenshire County Council's head of European policy and external funding, and by Peter Mortimer, regeneration manager in Rhondda Cynon Taf. Neville and Peter work closely with the WLGA on our European work and on a number of the committees dealing with the current programmes and considering the shape of future programmes.

10.45 a.m.

[120] Mae'r gymdeithas yn croesawu'r rheoliadau drafft ar gyfer y rhaglenni cronfeydd strwythurol newydd. Rydym yn meddwl bod llawer o gyfleoedd positif i ddefnyddio'r arian mewn ffyrdd mwy integredig yng Nghymru yn y cyfnod nesaf. Mae angen mynd ati o ddifrif i fanteisio ar y cyfleoedd hyn yn y rheoliadau drafft. Er enghraifft, drwy ddatblygu modelau i ddelifro'r rhaglenni newydd mewn modd gwahanol. Gallai hyn arwain at gymysgedd o fodelau delifro i siwtio themâu gwahanol y rhaglenni a gwahanol rannau o Gymru.

The association welcomes the draft regulations for the new structural funds programmes. We think that there are many positive opportunities to use the funding in more integrated ways in Wales in the next phase. We need to set about exploiting these opportunities under the draft regulations in earnest, by developing delivery models for the new programmes in a different way. This is likely to lead to a variety of delivery models to suit the programmes' different themes and the different parts of Wales.

[121] Rydym hefyd yn croesawu'r cyfleoedd yn y rheoliadau drafft i'r lefel leol yn arbennig ac i awdurdodau lleol chwarae rôl allweddol wrth gyflwyno, datblygu a

We also welcome the opportunities in the draft regulations for local authorities and the local level in particular to play a key role in delivering, developing and managing the new

rheoli'r rhaglenni newydd. Byddem yn croesawu trafodaeth ar ddatblygu fframweithiau ar lefel rhanbarthol i lywio'r defnydd o gronfeydd strwythurol yn y cyfnod nesaf, gyda chymysgedd o fodolau o dan y lefel ranbarthol i ddelifro rhannau penodol o'r rhaglenni. Er enghraifft, mae thema 9 yn y rheoliadau, sy'n delio â hyrwyddo cymhwysedd cymdeithasol a mynd i'r afael â thlodi drwy weithgareddau megis adfywio cymunedau, cefnogi mentrau cymdeithasol a strategaethau datblygu lleol, yn amlwg yn rhywbeth y mae'n well ei ddelifro ar lefel lleol.

[122] Mae'r CLILC ar hyn o bryd yn datblygu ei safbwynt ar y rhaglenni newydd. Mae'n eithaf cynnar yn y broses—byddem yn hapus dod yn ôl i'r pwyllgor ymhenn chwe neu 12 mis i weld sut mae pethau wedi datblygu. Mae llywodraeth leol yn edrych ymlaen at chwarae rôl lawn yn natblygu a delifro'r rhaglenni newydd, ac mae'n hapus i ddarparu mwy o wybodaeth i'r pwyllgor maes o law, os bydd angen.

programmes. We would welcome a discussion on the development of frameworks at the regional level to guide the use of structural funds during the next phase, with a mixture of models under the regional level to deliver specific parts of the programmes. For example, theme 9 in the regulations, which deals with promoting social inclusion and tackling poverty through activities such as community regeneration, social enterprise support and local development strategies, is clearly something that would be best delivered locally.

The WLGA is currently developing its position on the new programmes. The process is at an early stage—we would be happy to return to the committee six to 12 months from now to see how things have developed. Local government is looking forward to playing a full role in the development and delivery of the new programmes, and it is happy to furnish the committee with more information in due course, if necessary.

[123] **Kenneth Skates:** Thank you for the opening statements; I think that you have addressed one or two of the points that I was going to raise. Do you consider that the primary attention should now focus on preparations for funding programmes, rather than on seeking to influence negotiations in Brussels?

[124] **Ms Stone:** I would agree. As I said in my opening remarks, we broadly welcome the Commission's proposals. We think that it is a very sensible set of proposals that reflects some of the lessons learned from previous programmes at the Brussels level, and we now need to start thinking about how those regulations will translate into practice and delivery in Wales.

[125] **Ms Gwilym:** Mae angen cydbwysedd rhwng y ddau, achos rheoliadau drafft yw'r rhain ar hyn o bryd ac mae llawer o waith eto i'w wneud ar y lefel Ewropeaidd ym Mrwsel. Rydym ni, er enghraifft, yn aelod nifer o grwpiau sy'n lobbio'r Senedd ac yn cynnig gwelliannau i adroddiadau sy'n mynd drwy'r Senedd. Mae'n rhaid cofio mai Llywodraeth Prydain fydd yn cynnal y trafodaethau ar ran gwledydd Prydain, felly mae gwaith i'w gwneud o safbwynt parhau i lobbio Llywodraeth y Deyrnas Unedig ynghylch pwysigrwydd y cronfeydd hyn i Gymru. Byddwn yn dweud ei bod yn hynod bwysig dal ati gyda'r gwaith lobbio ym Mrwsel a hefyd ddechrau meddwl o ddifrif am ddatblygu'r rhaglenni a siapio'r modd y byddant yn gweithio yng Nghymru.

**Ms Gwilym:** We must have a balance between the two, because these are draft regulations at this time and there is still a lot of work to be done on the European level in Brussels. We, for example, are members of several groups that are lobbying the Parliament and proposing amendments to reports that are going through the Parliament. You should bear in mind that it will be the British Government that will negotiate on behalf of the nations of Britain, so there is work to do in continuing to lobby the UK Government about the importance of these funds to Wales. I would say that it is crucial to continue with the lobbying in Brussels, while, at the same time, starting to think seriously about developing the programmes and shaping the way in which they will work

in Wales.

[126] **Byron Davies:** I am afraid that my question involves a certain amount of the inevitable EU terminology. There is no mention in either the WLGA's paper or the WCVA's paper of the need for transformational change, nor is there any reference to regional innovation or smart specialisation strategies. The WLGA paper, however, does refer to the need for a more joined-up approach in looking at other European programmes. The question to all of you, therefore, is this: what are your views on the need for the regional innovation strategy based on smart specialisation that the European Commission is proposing for future structural funds?

[127] **Mr Mortimer:** Thanks for the question. On behalf of the WLGA, I would say that we have concentrated our evidence on a response to the draft regulations from the European Commission. Elsewhere, we shall concentrate on the balance of prioritisation that we would expect to see and would want to pursue under the new programmes. In any effective regeneration programme, there needs to be a balance of priorities that looks at how opportunities can best be taken advantage of, and also to look at areas of difficulty. Certainly, we would want to see the broad thrust of the programmes lead to transformational change. The issue is how to achieve that and getting an effective balance of priorities in order to do that. Looking at research, development and innovation is certainly part of that, and we would want the most appropriate stakeholder organisations taking the lead on that, and local government can support that.

[128] An important part of the balance of the new programmes that we would like to see pursued are such things as infrastructure, to provide an environment for real jobs growth in the future, and also looking into how best to support the growth of Welsh-based businesses. I think that that is somewhere where local government can help a little more in terms of the balance of priorities, and higher education would perhaps focus more on the development of a research and development innovation-based strategy.

[129] **Alun Ffred Jones:** Clywsom gan y sector addysg uwch yn gynharach, ac roeddent yn dyfynnu swyddogion Brwsel yn dweud bod rhaid i'r rhaglen nesaf ganolbwyntio ar drawsnewid economïau rhanbarthol, gyda'r awgrym nad oedd y rhaglenni blaenorol wedi llwyddo i wneud hynny. Y cwestiwn i bob un ohonoch yw: beth fydddech yn ei wneud yn wahanol y tro nesaf i'r hyn rydych wedi bod yn ei wneud yn y gorffennol, gan gymryd yn ganiatâol nad yw hynny wedi llwyddo i drawsnewid economi Cymru hyd yn hyn?

**Alun Ffred Jones:** We heard from the higher education sector earlier, and they were quoting Brussels officials saying that the next programme has to concentrate on transforming economies at a regional level, with the suggestion that the previous programmes had not succeeded in so doing. The question to each and every one of you is: what will you do differently next time from what you have been doing in the past, taking it for granted that that has not succeeded in transforming the Welsh economy to date?

[130] **Mr Fiander:** I am not sure whether that is necessarily true at the present time, because, in fairness, this current programme is probably two years behind where it should be. You are right that a transformational change is needed, but we have to balance that with equality of opportunities. One of the problems that we would have if we were to do research and development and nothing else would be ensuring that the workforce and the current population were up to speed and able to take up those opportunities. That is a major issue for us. So, from our point of view, transformational change is needed not just at the higher level, but at the lower level, to ensure that families and the most disadvantaged people have those opportunities. Otherwise, transformational change creates gaps and splits in nations. From our perspective, transformational change is also needed at the bottom, not just at research and development level.

[131] **Ms Chamberlain:** Just to add a little to that, a lot of the work that is being done through the Agile Nation project, for example, is about changing the culture in businesses at the grassroots level. Much of our work as a charity is around trying to mainstream changes, particularly, for us, around gender equality, and ensuring that those are built into the mainstream of business. That, for me, is part of the transformation that we need to see, which connects up with what Phil has been saying.

[132] **Mr N. Davies:** It is also important to reflect on the changes that have occurred in local economies over the last three years. When we initially developed the programme, the state of affairs in terms of the economy was totally different from what it is now. We must not forget that many of the initiatives that have been developed have not really achieved their outcomes at the moment. The outcomes, in the majority of cases, will, hopefully, be delivered in the next two, three, four or five years. As a result of delays, and the timescales involved in developing business cases, those often take two, three or four years—and that needs to be taken into account when we start looking at a new programme.

[133] As far as local business is concerned at the moment, it is a matter of survival in many cases, as opposed to looking at making dramatic changes in how they work and operate. That is the focus of many of the initiatives that we have in local government at the moment: to ensure that enough funds are going to businesses to ensure that they survive, especially given where we are at the moment. Hopefully, new initiatives will come on board in 2013 that will enable them to take a different direction, but that is where we are at the moment.

[134] **Alun Ffred Jones:** Mae'n ymddangos i mi rydych yn credu nad oes angen trawsnewid y system o gwbl ac nad oes angen gweithredu mewn ffordd wahanol. Os rwy'n deall yn iawn, rydych chi'n dadlau bod y gwaith rydych chi'n ei wneud ar hyn o bryd yn effeithiol. A ydw i'n iawn?

**Alun Ffred Jones:** It seems to me that you believe that there is no need to transform the system at all and that there is no need for a new way of working. If I understand it correctly, your argument is that the work you are doing at present is effective. Am I right?

[135] **Mr N. Davies:** Rwy'n cynnig bod angen i ni fod yn hyblyg yn y modd rydym yn ymateb. Rydym yn ymateb mewn modd penodol ar hyn o bryd oherwydd sefyllfa'r busnesau yn ein hardaloedd. Nid yw hynny'n golygu ni fydd rhaid i ni ailedrych ar sut rydym yn rhedeg ein busnesau a'n prosiectau o hyn ymlaen. Mae'n rhaid i ni sylweddoli bod rhaid i ni newid; mae'r economi'n newid. Rhaid cofio hefyd bod y rhaglenni sy'n cael eu paratoi yn awr ac yn ystod y ddwy flynedd nesaf yn rhaglenni y bydd ar gael am 10 mlynedd. Dyna pam mae mor bwysig ein bod yn gallu ymateb, wrth bob cam yn y broses, i'r sefyllfa yn yr economi lleol.

**Mr N. Davies:** I am proposing that we have to be flexible in the way that we respond. We are responding in a specific way at the moment because of the situation of businesses in our areas. That does not mean that we will not have to look again at how we run our businesses and projects from now on. We have to realise that we have to change; the economy is changing. We also have to remember that the programmes that are being prepared now and during the next two years are programmes that will be available for 10 years. That is why it is so important that we can respond, at every stage in the process, to the situation in the local economy.

[136] **Byron Davies:** Leading on from what Alun Ffred has just said, from what you have said I do not see any flexibility. You said that it would take two, three, four or five years before there are any outcomes. Can you persuade me about the flexibility element?

[137] **Mr N. Davies:** Some of the initiatives we are operating are focusing, for example, on town-centre regeneration. It is only during the past 12 months that many of these town-centre initiatives have been approved. So, they are now at delivery stage, and we will be delivering

those during the next two or three years. So, the real outcomes in terms of job creation will be achieved later on. At the moment they will be achieved in construction jobs only, for example. However, the more sustainable, long-term jobs will be achieved in the long term, in two or three years' time. In Llanelli, for example, we are making a major investment of over £40 million, knowing full well that the long-term benefits are going to take a few years to achieve.

[138] **Mr Fiander:** It is a balancing act in looking forward to transform things but also trying to ensure that you do not rip up everything and start again, because one of the biggest problems with this current programme was that we started with Objective 1 and then moved to convergence, which was something completely new. It has resulted in a two-year delay in implementation. So, the impact of this programme is two or three years behind what we would be expecting to see, because of what we did at the beginning. We have to be careful with the new programmes in that we have to be able to look at what we are doing now and look forward and say whether the priorities are right, and at least keep a balance between the two. Otherwise, you will rip up everything and have to start again, putting in even further delays, and you will never know whether it is a continuing strategy. In some respects this programme should be viewed as a continuation strategy into the next programme, as opposed to starting a major transformation. Otherwise, you will have all sorts of problems.

[139] **Mr N. Davies:** We are looking at evolution, as opposed to revolution, taking account of timescales, commitments, and knowing full well that there are issues in terms of finding necessary resourcing to deliver what needs to be delivered.

[140] **Joyce Watson:** Good morning to you all. I have a question on the same theme. We have started to talk about what the previous witnesses, the Welsh HE sector, told us: in their opinion the funds should be about transformational change. Phil, you touched on different levels of that. Chwarae Teg also promotes the idea of cultural and attitudinal change. So, do you agree that it requires a significant proportion of future EU structural funds to be invested in research and innovation, including research capacity and higher level skills to achieve that? That is a question to all of you.

11.00 a.m.

[141] **Mr Fiander:** This is a slightly sitting-on-the-fence answer, but it is about a balancing act. I do not think it should be a huge shift in that respect, because, otherwise, you will disenfranchise some of the work that you are currently doing. I agree with Neville that this should be seen as evolution, not revolution. The danger is of suddenly putting all your eggs into another basket because this does not seem to be doing what you want it to do, which is not necessarily the right approach. It is about balance. Transformational change needs to happen not just at the high level but at a lower level. If you go into some of these communities, there are still families who are disenfranchised by the whole process. The danger of a complete revolutionary change and innovation is that you disenfranchise those people further. In the current economic climate, it is becoming harder and harder for individuals to get involved and to become engaged with employment. The danger is that, if you do not get the balancing act right, you will make the situation worse.

[142] **Ms Chamberlain:** I would add to that and say that it is a balancing act, which is difficult, because, although you want research and good new thinking and thought leadership on these issues, you have to be able to show that you can implement change and pilot activities and change the cultures in communities and businesses as well as changing people's individual capacity. Otherwise, you do not generate the case studies and the track records that will effect mainstream change and real transformation across the regions.

[143] **Mr Mortimer:** Unless we have a clear vision for what will deliver sustainable



transformational change, the new programme will not be successful. Putting a disproportionate amount of the resources into research, development and innovation might not give us a balanced portfolio of priorities that will achieve success. It is essential that we recognise what research, development and innovation can provide for us in terms of changing the Welsh economy, but, unless it is supported effectively by other investment in how we support new innovative businesses and how we provide for an environment that will help those businesses to flourish, that investment in research and development alone will not succeed. It is very much a case of looking at a focused set of priorities. I do not think that we are advocating spreading the jam too thinly, but we need a real focus that will deliver the greatest impact. That will need to be planned carefully.

[144] **Ms Chamberlain:** I just want to add that innovation is all about trying new things, and a challenge for the development of the next round of funding is enabling organisations and project sponsors to try new things while having a sensible and necessary focus on results and change. That is one of the great challenges, but it needs to happen on the ground as well as in the thinking at the higher level.

[145] **Joyce Watson:** May I just get to the end of where I am going with this, Chair? It is a theme; I am building a theme. I want the WCVA to answer the next bit. What do you think the voluntary sector can do in terms of contributing towards that transformational change?

[146] **Mr Fiander:** It is building on the work that communities and groups are doing at the moment on engaging with communities. Yes, I am a great believer in the need for some radical thinking and for innovation to happen, but there is little point in having that if we do not bring the population with us. What is the point of bringing in new employment opportunities that our citizens cannot be involved in because we have not engaged them in the process? The voluntary sector has a major role to play in the transformational change at the bottom end, engaging with citizens to see the value of this. In some of the communities you go through, you are still tackling multi-generational disaffection and all of those sorts of issues. You can have all the high-end stuff you want, but, if we do not tackle that, they are not going to benefit from that. All you will do is disenfranchise those people further. From the voluntary sector's perspective—on anti-poverty measures and all of those sorts of things—there are key elements that we need to ensure happen alongside any transformational change. If you do not transform people's lives, you are not going to change the economy. Why would businesses come if they would have to import labour? Why would they come here if we did not have the right skills sets and the right attitude towards work and everything else? There is a major role to play in innovation. Yes, you can bring in the SMEs, but they are only sustainable if they can utilise a local workforce.

[147] **Ms Stone:** To add to the comments made by Phil and Katy, there is an opportunity within the regulations to use social innovation and to attach a very high intervention rate—possibly 100% of the total project cost—to socially innovative approaches. That could be used to test out methodologies and then it could be mainstreamed through other funding mechanisms. There is an opportunity with social innovation.

[148] **Joyce Watson:** What work is the WLGA undertaking to identify key priority investments for the future that could contribute to the transformational change?

[149] **Ms Gwilym:** As I said earlier, it is early days in developing an agreed consensual position across local government. We have had initial discussions with all local authority leaders on some of the strategic priorities for the new programmes, which are around infrastructure, physical regeneration and identifying and building on some of the key regional collaborative projects led by local government in partnership with a number of other service providers in the current programmes—the ESF programme in particular—for the future. There is an acknowledgement that we need to learn lessons and build on some of the regional

collaborative approaches and delivery models developed within the current programmes. It took time and it was challenging—for local government in particular. We need to take the best out of that for the future.

[150] **Mr Mortimer:** To inform us effectively for the future, we are, this time, carrying out proper, in-depth evaluations of the work that we are doing. Hopefully, that will give us evidence of what could be successful, identify good practice and allow us to carry that forward for the future. The monitoring and evaluation of activity is something that we have concentrated on. In Wales, we have generally been a little weak on that in the past. It is important to build on that successfully for the future.

[151] **Joyce Watson:** You all talk about the plans that you have—that is great—but, to what extent do you think that those plans might require some changes to the delivery structure of EU-funded programmes in Wales?

[152] **Mr N. Davies:** The draft regulations present us with opportunities to work and think differently. It has been suggested that we should look at local action plans, at the urban dimension that has evolved, and at the local partnerships arrangements around the delivery of the rural development plans, which are still in existence. We need to review everything that we have in light of where the regulations are likely to go. They are draft regulations and we have had initial discussions with Commission officials to test the water in terms of their expectations. The draft regulations, as they are set out at the moment, have limitations in terms of what you can do. For example, in local action plans, you cannot deliver infrastructure. Under the local economic development proposals, they are looking at small-scale activities, tackling poverty and so on. We need to engage with the Commission to have a better understanding of where it could lead us. We are keen to work on that with all parties—the third sector and the business sector—to ensure that we maximise the opportunities. The delivery models are not new. We have collaborated extensively over the past few years and we have extensive knowledge and expertise in managing partnerships, but there are potential new opportunities around the urban dimension that present themselves to us as well.

[153] What is critical for us is that we do not have different layers to deliver regeneration. That is one of the major challenges that we have at the moment, because we do not want another partnership that is put in place to deliver a specific, perhaps funding-driven model, not working and integrating with other initiatives that are also delivering—whether they are European-driven initiatives or not. I can think of a number with regard to single regeneration areas; there is Communities First and a whole range of other initiatives. There needs to be better focus with regard to integrating some of these activities, so that we can maximise these opportunities and focus on delivery as opposed to the management side of things, which can become quite bureaucratic and time-consuming in this process, not just for us, but for all parties involved.

[154] **Nick Ramsay:** I want to bring David Rees in at this point, and also Leanne Wood. You mentioned time, and given that time is moving on, I ask witnesses to be as succinct as possible, to help us get through all of our questions.

[155] **David Rees:** We understand the differences in transformation between the top, middle and bottom levels, but the higher education sector gave evidence of how successful research and development had been. Do you have evidence of other regions within Europe that take a different approach that is as successful, because it is important to look at whether the approach that you are considering can be evidenced to be a success in other regions, given that there are plenty of other regions within Europe that do this? You mentioned evidence of things down the line, but do you have any evidence of things that are successful at this point in time? Could you perhaps look at that and come back to us?

[156] **Mr Mortimer:** It may be worthwhile for us to go back and to provide you with some supplementary evidence on some good examples of where we have carried out an evaluation that has led to some good practice within the current round of programmes. I think that that would be helpful.

[157] **Nick Ramsay:** That would be very helpful to us.

[158] **Mr Fiander:** One thing that we need to look at with regard to delivery structures is the need for us to have a range of partnerships, whether they be thematic, local, regional or whatever. A current problem is that procurement does not create good partnerships; it destroys partnerships. We must, therefore, look at how procurement fits within whichever mechanism we are going to devise for the delivery, given that it has been counter-productive in the development of collaboration partnerships.

[159] **Mr N. Davies:** If you are looking at different delivery models, you must also look at financial instruments in terms of different ways of resourcing delivery and regeneration within these partnerships, whether they are at the regional or local level. That can give you a long-term commitment that does not just involve European funding, but also, in particular, Welsh Government money.

[160] **Leanne Wood:** I want to come back on your point about equality and not losing some of the good practice that has been built up, with which I have a lot of sympathy. What I am trying to get my head around is what we can ditch that is not working. What went wrong in the past and how can we not repeat the same mistakes in history? Is it not the case that, when unemployment levels are high, as they are now, certain groups within society are going to fare worse? So, young people, women and people who already live in deprived areas are going to have a worse time of it. That will happen anyway in the current climate.

11.15 a.m.

[161] Ultimately, it is down to the levels of unemployment. So, how can we create jobs? The only thing that really matters ultimately is long-term, sustainable jobs that will not be lost. That is what has failed in the past. We have not managed to create long-term, sustainable jobs out of the funding that we have received. How can we ensure that we do not fail again? If we do not use unemployment levels as a measure of success in all of this, what do we use? What is the alternative measure?

[162] **Mr Fiander:** You are right, but one thing that we must remember is that one reason why Wales was in the position to get Objective 1 funding was the disadvantages that we had in the communities, and we never tackled that completely.

[163] **Leanne Wood:** It has got worse.

[164] **Mr Fiander:** Yes, it has got worse because we have not really tackled it. It is still there as an underlying problem. It is about a balancing act. I totally agree that we must create employment opportunities but, at the same time, we must not forget that the fundamental reason why we were in that state was the fact that there were a large number of communities and individuals completely disadvantaged. Just as things started to happen under Objective 1 and the convergence programme, we had the economic downturn, which has exacerbated the whole situation. I do not have a magic answer, but you are right. It is about ensuring that we create jobs and the atmosphere for individuals to engage with the process. It is about balance, and there is no straightforward magic sword by which we could create 100,000 research jobs on £50,000 a year; that is fine for those who have the skills, but it is about the other jobs. I have not yet seen a strategy on how to create jobs outside of that higher level. The majority of

people will not take up those opportunities.

[165] **Ms Chamberlain:** I want to add a brief note. I absolutely sympathise with what you are saying and wish that I had the magic answer to that. There is something that needs to go hand in hand with the creation of jobs, and that is encouraging potential employers to take on employees. Quite a lot of the work that can benefit from European funding or European projects is around innovative ways of working and getting the best out of the talent that is available. If that does not happen alongside the economic circumstances to promote job creation, the benefit of what we hope will be an improving economy will not be felt quickly enough.

[166] **Nick Ramsay:** I will bring Alun Ffred Jones in on this point, because he has a specific question to the WLGA.

[167] **Alun Ffred Jones:** Mae'r gymdeithas yn sôn yn ei phapur am y ffaith bod cyfleoedd i gydweithio ar draws awdurdodau. Mae dau gwestiwn yn codi o hynny. Gan gofio bod cynghorau yn gallu bod yn blwyfol, a ydych yn credu y bydd cynghorau yn barod i gydweithio ar draws isranbarthau er mwyn creu prosiectau? A allwch roi enghreifftiau o'r math o fentrau lle y gallai'r lefel hon o gydweithio gael ei chyflawni?

**Alun Ffred Jones:** The association refers in its paper to the fact that there are opportunities to collaborate across authorities. Two questions arise from that. Given that councils can be parochial, do you think that councils will be willing to collaborate across subregions to create projects? Can you give examples of the kind of initiatives in which this level of collaboration could be achieved?

[168] **Ms Gwilym:** Mae nifer o enghreifftiau ar gael o raglenni presennol lle mae awdurdodau lleol wedi mynd ati i gydweithio ar lefel ranbarthol ac isranbarthol. O ran y pwnc penodol hwn, mae'r gronfa fuddsoddi leol yn enghraifft dda o brosiect lle mae awdurdodau lleol yn cydweithio yn eu rhanbarthau ar draws yr ardal gydgyfeirio. Byddwn yn hynod o awyddus i weld rhywbeth felly yn cael ei ddatblygu yn y rhaglenni nesaf. Mae cronfa fuddsoddi leol yn rhoi cymorth i fusnesau lleol ac yn rhoi'r grantiau bach y mae arnynt eu hangen yn fwy na dim i gynnal eu busnesau ac i gyflogi un neu ddau aelod o staff newydd. Mae rôl allweddol o hyd ar gyfer rhywbeth tebyg i'r gronfa fuddsoddi leol. Mae'r model yr ydym wedi'i ddatblygu yn y cyfnod presennol, lle mae awdurdodau lleol yn darparu'r gronfa honno ar y cyd yn rhanbarthol, yn enghraifft dda.

**Ms Gwilym:** There are a number of examples in the current programme of local authorities having collaborated at a regional and subregional level. With regard to this specific issue, the local investment fund is a good example of a project on which local authorities collaborate in their regions across the convergence area. I would be very keen to see something similar developed in the next sets of programmes. The local investment fund provides support to local businesses and gives them the small-scale grants that they need more than anything to sustain their businesses and to employ one or two new members of staff. There is still a crucial role for something similar to the local investment fund. The model that we have developed in the current period, by which local authorities deliver that fund jointly at a regional level, is a good example.

[169] Ceir nifer o enghreifftiau eraill o ran rhaglenni cronfa gymdeithasol Ewrop y byddwn yn awyddus i'w gweld yn datblygu. Yr hyn sy'n bwysig o ran y rhaglenni nesaf yw ein bod yn gweithio ar y cyd â Llywodraeth Cymru ac yn cael mwy o eglurder ynglŷn â rhai o'r prosiectau

There are a number of examples with regard to the European social fund programmes that I would like to see being developed. With regard to the next programmes, it is important that we work collaboratively with the Welsh Government and get more clarity on some of the national projects that it intends to fund

enedlaethol mae'n bwriadu eu hariannu a'u blaenoriaethu ar gyfer y cyfnod nesaf. Bu inni wastraffu dwy flynedd yn y cyfnod presennol yn aros i weld sut y byddai'r prosiectau cenedlaethol yn gweddu. Nid oedd digon o amser a meddwl wedi eu rhoi i ystyried sut y byddai'r prosiectau cenedlaethol hynny yn cael eu delifro ar lefel ranbarthol a lleol. Felly, credaf fod angen sicrhau yn ystod y cyfnod nesaf ein bod yn gwbl glir o ran blaenoriaethau'r Llywodraeth o safbwynt rhai o'r prosiectau mawr yr hoffai eu gweld yn cael eu hariannu, a sut y byddai'r rheini yn gweddu i'r hyn sydd angen ei ddelifro ar lefel ranbarthol a lleol.

and prioritise during the next period. We wasted two years of the current period waiting to see how the national projects would fit. Not enough time or thought was given to considering how those national projects would be implemented at a regional and local level. Therefore, I believe that we need to ensure during the next period that we are absolutely clear about the Government's priorities in relation to some of the major projects that it would like to see being funded, and how those would fit into what needs to be implemented at a regional and local level.

[170] **Joyce Watson:** My question is for both the WCVA and Chwarae Teg. The Welsh Local Government Association's paper welcomes the priority given to local development and says that there are existing partnerships at a local level across Wales that could fulfil that role. First, do you agree with that opinion? Do you agree that local development action should be led by local authorities rather than by voluntary or private sector bodies?

[171] **Mr Fiander:** In certain areas, there are partnerships that work well at a local level, but, equally, they do not work as well in other areas. It is to do with the composition of partnerships and perhaps the way in which those partnerships are constructed. There is some work to be done. Procurement has not helped that process, because it has affected some of the collaborative work that we started with Objective 1. Whatever partnerships are in place, we would like to see contracts or a set-up being put in place that starts to recognise the valuable input of the third sector. We would not like to see it going back to the situation where there are three thirds. While that was transformational, it placed a great strain on partnerships because of the number of partnerships that existed. So, we would need to look at that. However, we need to look at how those partnerships are managed, and there may need to be transformation with regard to the way in which we manage those partnerships and the relationships within them in order to make them work better.

[172] **Keith Davies:** In your paper, you say that there is a lack of a joined-up approach within Welsh Government departmental structures. Can you expand on that?

[173] **Mr Fiander:** At times, from the outside, it appears that you can talk to one Government department but the other departments are not aware of what is said and there is no crossover. There is much to do in that relationship. Some of it is improving, but there is still work to be done on understanding. For example, we talked to the Finance Committee this morning about targeted match funding, which was supposed to be integrated into the application process. When a claim was submitted for the money for a certain project, the applicant was supposed to get both sets of funding. In reality, one claim goes to another department and, instead of releasing the money across to WEFO, for example, so that all of the money is paid when the claim is paid, it pays its bit and then it has to go to another department so that it can clarify its bit. The systems do not integrate at all, and you therefore end up with a delay of eight weeks for TMF by the time that that transformation has been done. That does not help the processes. So, that is the sort of situation that you end up with.

[174] **Ms Stone:** If you are looking at bringing together the management of the RDP with the structural funds, this issue becomes even more important to get right. We think that there is a big opportunity there to deliver multi-fund projects in a cohesive, coherent way for the benefit of individuals on the ground, but only if we get it right at the strategic level and if we

have the right level of input in developing projects as well.

[175] **Mr N. Davies:** From a local government perspective, we are totally committed to real partnership engagement. We have a long history of that. In fact, across Wales, we have a history of partnership engagement, but perhaps there is a debate to be had about whether they have all been effective. That is where the WCVA comes in. There are challenges in managing partnerships, because expectations are high across the board and involve all sectors—the third sector, the private sector and the public sector. It will be even more challenging in future with the limited resourcing that will be available to deliver on high expectations. We also recognise that there is work to be done in some areas. By their very nature, these involve many different people with strong personalities, but that is the challenge for us, and is something that we are duty bound to do: to ensure that we maximise opportunities in the future.

[176] **Ms Chamberlain:** I just wanted to add, in answer to the question that you raised, Joyce, that as well as the third sector and local government improving their ability to manage and create partnerships, it is also important that the administrative bodies have the expertise and competence to properly assess and appraise such collaborations, because that is not as simple as assessing a project that is put forward by a single sponsor. That is an important part of the equation.

[177] **Julie James:** I will change the subject altogether now. In the WLGA paper, you talk a bit about capital infrastructure and the need to continue to invest in some projects, and you call for funding to support the electrification of the railways, particularly the Cardiff to Swansea line. In fact, the Welsh Government is on record as saying that it does not think that structural funds should be used for that, because it is not a devolved issue, and should therefore be funded properly by the UK Government. Do you want to elaborate on why you think that it is appropriate to use structural funds for this?

[178] **Ms Gwilym:** Just to clarify, the position is that we have been supporting the lobbying work of the City and County of Swansea Council. Ultimately, we believe that funding to extend the line to Swansea should come from the UK Government, but if that is not forthcoming, there is a need to explore possibilities—not around convergence funding in particular, but around the Connecting Europe facility; the initial list of projects within that facility includes an option to look at funding the railway line. That is something that we need to explore. Ultimately, our position is still that we believe that the UK Government should be funding that line.

[179] **Julie James:** Are you linking that to the Swansea-Cork ferry, or are you talking about electrifying the line to Fishguard?

[180] **Ms Gwilym:** At the moment, we are talking about electrifying the line to Swansea.

[181] **Julie James:** However, to get the trans-national element, you need the Irish connection, do you not? It seems to me that there is a missing link.

[182] **Ms Gwilym:** We need to look at the figures involved. In terms of the Connecting Europe facility, we made the point in the paper that we would like to see more flexibility and opportunities to come forward with potential projects for Wales. There is only one at the moment. We would like to consider port infrastructure as one example.

[183] **Mr N. Davies:** To add to what Lowri has said, the proposals that have been set by the Commission present massive opportunities—I think that it is something like €40 billion of money that has been top-sliced from the structural funds. In the draft regulations, the electrification of that line is identified as a suitable project. It does not go so far as to extend

the connection to Cork, but—correct me if I am wrong, but I am 99% sure—it is identified as an example of a project that could be appropriate.

[184] **Julie James:** That is ERDF funding, not trans-national funding.

[185] **Mr N. Davies:** It is ERDF, but Connecting Europe is a separate, specific ERDF pot that is over and above what is likely to come to Wales with convergence.

[186] **David Rees:** Just to follow on, you have recognised the severe cuts that are coming to capital spending, and you mention the higher intervention rate as one mechanism for capital funding, along with borrowing by local authorities. Where are your priorities for capital expenditure for infrastructure projects? Clearly, infrastructure projects have been recognised as being among the major focuses, as was mentioned earlier, to allow inward transportation as well as outward transportation for businesses.

11.30 a.m.

[187] **Mr Mortimer:** Certainly, the ability to fund large capital infrastructure packages will be constrained under the new programme. What we want to do is to look creatively at ways of assembling financial packages to deliver infrastructure. One of those may be to increase the grant rate, but beyond that, we need to look at ways of encouraging the private sector investment that will help us to lever in bigger financial packages. Part of that is to look creatively at financial engineering instruments, which are a priority for the European Commission. We need to look at how we can best lever in private sector investment, in addition to the grant part of the programme. That will be difficult, and challenging, but we really need to work up some workable examples of how that can be done and start testing them quickly. That will be challenging, but it is really important that we do it.

[188] **David Rees:** What scale of investment are you looking at?

[189] **Mr Mortimer:** That is a difficult question to answer, but if we are looking at impact, then we are talking in the tens of millions. If we are looking at an impact that will deliver jobs growth in the convergence area in particular, we are looking at projects that are significant and run to the tens of millions, I guess.

[190] **Mr N. Davies:** The challenge that we will have is in convincing the European Commission that this is the way forward for delivering sustainable jobs. I think that we could make a very strong case for that. In the past, the Commission has tended to look for balanced programmes, and it has somewhat restricted the level of resources going towards infrastructure-type projects. I think that there is now an opportunity to work with the Welsh Government to present a strong case, to say that the job is half finished as far as we are concerned—we are talking about a multi-million pound investment being needed.

[191] **William Powell:** I would like to extend this line of questioning to the WCVA and Chwarae Teg. Do you believe, as the WLGA does, that EU structural funds could and should be used for road and rail infrastructure projects? I am not talking about just the big-ticket items that have been identified, such as the electrification of the railway to Swansea and, ultimately, Fishguard, but some of the smaller, but potentially significant, projects such as the reopening of Bow Street station or the station at St Clears, which could be of regional significance in those areas in terms of their economic development potential.

[192] **Mr Fiander:** I certainly think that there is merit in opening up access for disadvantaged communities. Clearly, road and rail links are important. In and around Ebbw Vale, the opening of the railway line has made a huge difference to the area and its access to Cardiff. So, there is merit in opening up those communities. One of the problems is that

people are stuck there and they will not necessarily move unless transport links are of sound quality and can take them where they want to go relatively cheaply. One of the problems is access, and there is no point in having jobs in Cardiff, Swansea and Newport if it takes you three hours to get down there from the Valleys. If it costs you three hours' pay to get somewhere, why would you work? There is a balance to strike in getting some of those projects that start to open up some of the more disadvantaged communities; without a doubt.

[193] **Ms Chamberlain:** The use of ICT infrastructure is also crucial to that, certainly with regard to the employment of anyone in a rural economy, but particularly women. It is one of the main enablers in helping people to work remotely and flexibly, which is vital to boosting the economy.

[194] **Nick Ramsay:** We have two more questions that I would like to get through, if possible. One is from Keith Davies and the other from Byron.

[195] **Keith Davies:** Pa mor ddefnyddiol yw fforwm partneriaeth rhaglenni Ewropeaidd Llywodraeth Cymru o ran ymgysylltu â sefydliadau? A ydych yn defnyddio'r fforwm hwn, achos mae'r WCVA am gael trafodaethau uniongyrchol ar gontract partneriaeth gyda'r Deyrnas Unedig? Ar y llaw arall, mae Cymdeithas Llywodraeth Leol Cymru am weld contract rhwng Cymru a'r Comisiwn Ewropeaidd, yn hytrach na gyda Llywodraeth y Deyrnas Unedig. A ydych yn defnyddio'r fforwm, ac a allwch chi ddweud rhywbeth am y gwahanol ofynion sydd gennych am y contract?

**Keith Davies:** How useful is the Welsh Government's European Programmes Partnership Forum in terms of engaging with institutions? Do you use this forum, because the WCVA wants to have direct discussions on a partnership contract with the United Kingdom? On the other hand, the Welsh Local Government Association wants to see a contract between Wales and the European Commission, rather than with the UK Government. Do you use the forum, and will you say something about the different demands you have of the contract?

[196] **Mr N. Davies:** I ateb rhan gyntaf y cwestiwn ynglŷn â pha un a yw'r fforwm yn effeithiol, mae'r rhain yn ddyddiau cynnar; dim ond dau gyfarfod sydd wedi bod. Fodd bynnag, yr ydym yn hyderus—mae gennym gyfle gwych i gymryd mantais o'r broses gan fod pob sector yn aelod o'r fforwm, a'r gobaith yw y gallwn gael y gwerth gorau o'r fforwm o hyn ymlaen. Mae'n anodd dweud ar ôl dau gyfarfod ba un y mae'r fforwm yn effeithiol ai peidio. Byddem yn hapus i ddod yn ôl atoch chi mewn blwyddyn i ddweud a ydyw wedi bod yn effeithiol. Mae wedi bod yn effeithiol o ran y rhaglenni sydd wedi bod gennym yn y gorffennol, a byddem yn gobeithio y bydd yn effeithiol y tro hwn hefyd. Fodd bynnag, mae hefyd yn bwysig fod y fforwm yn cael ei ddefnyddio fel ffocws, achos rwyf hefyd yn sylweddoli fod pethau eraill wedi cael eu sefydlu, fel y grwpiau gorchwyl a gorffen, i edrych ar bethau fel rhanbarthau dinas, ac yn y blaen. Mae'n bwysig ein bod yn bwydo mewn i'r broses, a bod pawb yn agored am y broses hefyd. Yr wyf yn eithaf positif a hyderus y

**Mr N. Davies:** To answer the first part of your question on whether the forum is effective or not, it is early days; there have only been two meetings. However, we are confident—we have a fantastic opportunity to take advantage of the process, because every sector is represented on the forum, and the hope is that we can get the best value from the forum from now on. It is hard to say after two meetings whether the forum is effective or not. I would be happier to return to you in a year to say if it has been effective. It has been effective in terms of the programmes that we have had in the past, and we would hope that it will also be effective this time. However, it is also important that the forum is used as a focus, because I am also aware that other things such as task and finish groups have been set up to look at aspects such as city regions, and so on. It is important that we feed into the process, and that everyone is also open about the process. I am fairly positive and confident that the forum will be effective in terms of moving forward; if it is not, you will hear about it.



bydd y fforwm yn effeithiol o ran symud ymlaen; os na fydd, byddwch yn cael clywed.

[197] O ran rhan arall y cwestiwn, efallai y gall Lowri ei hateb.

In terms of the other part of the question, perhaps Lowri can respond.

[198] **Ms Gwilym:** Yn fyr iawn, o safbwynt y contract, byddem yn ffafrio contract uniongyrchol rhwng Cymru a'r Undeb Ewropeaidd, gan mai Llywodraeth Cymru fydd yn bennaf cyfrifol. Os na fydd hynny'n digwydd, mae'n bwysig iawn sicrhau bod Cymru'n cael o leiaf bennod yn y ddogfen Brydeinig.

**Ms Gwilym:** Very briefly, in terms of the contract, we would prefer a direct contract between Wales and the European Union, because it is the Welsh Government that will be mainly responsible. If that does not happen, it is very important to at least secure a chapter for Wales in the British document.

[199] **Mr Fiander:** I agree with Neville—the partnership is very young at present, although I am hopeful that it will create things. The important thing for us is what we do outside of that partnership, and how we translate some of that information to constituent members so that we represent them. That is a big onus on us.

[200] As regards the contract, I do not mind if it is a contract with the UK or the European Commission as long as we have a contract that allows us to deliver the programmes that we want to deliver.

[201] **Nick Ramsay:** My attempts to speed that question along did not really work, did they? [*Laughter.*] It ended up taking longer than if I had just let it run its natural course. The final question is from Byron Davies.

[202] **Byron Davies:** This is a question to you all, and it is in regard to the UK implementing the Europe 2020 strategy. What involvement have you had in preparing the UK's national reform programme for this?

[203] **Ms Stone:** A stakeholder event was organised by the Welsh Government that brought together representatives from the Treasury and the European Commission to provide some information on the national reform process. The WCVA had an input into the compilation of that document, and we also have a case study of good practice with one of our intermediate labour market projects within the UK national reform programme. That was the extent of our involvement in the consultation.

[204] **Ms Gwilym:** Similarly, we attended the stakeholder event, but we have not had much direct input and involvement in that particular document.

[205] **Nick Ramsay:** I thank all the witnesses for attending the committee and for feeding into our inquiry into the draft proposals for structural funds; that has been very helpful. We have a couple of other requests for information, but we will let you have those after the meeting; the clerks will be in touch. Thank you for coming today.

11.40 a.m.

### **Papurau i'w Nodi Papers to Note**

[206] **Nick Ramsay:** We have a paper to note, which is the minutes of the Procurement Task and Finish Group, which met in private on 8 December to agree its forward work

programme and ways of working. The committee needs to note that there is a slight amendment to the terms of reference of the group's inquiry, so that it now includes issues for procurement in Wales that fall below the threshold levels at which the EU directives apply. Are we happy to note that paper?

[207] **Alun Ffred Jones:** The thing that is driving this, surely, is the need to have more Welsh-based companies winning contracts, so that the public spend in Wales improves the Welsh economy and contributes to it. There is nothing in this that refers to that, and I regard that as a weakness, but I do not know what other people think.

[208] **Julie James:** I will rephrase is slightly, if you do not mind, Alun Ffred. I think it is to maximise the number of Welsh companies that benefit from the European procurement regime. It is not just companies winning contracts in Wales; it is Welsh companies winning contracts in Europe. I think the problem with phrasing it like that is that we look parochial and we are in danger of being in breach of the rules. The whole point about the procurement rules is about being transnational, and a surprising number of Welsh companies get big contracts under the procurement rules in Wales. I entirely appreciate your point, and that is part of the reason—

[209] **Alun Ffred Jones:** I take your point as well, and I understand that it has to be phrased very carefully, otherwise it looks as if we are looking for ways to bend the rules. However, at present, 50%—I am not sure whether it is in value or total numbers—of the contracts in Wales go to Welsh-based companies, which is okay, but it is not good enough. I want us to focus on improving that, but I take your point that we cannot ask, 'Can we bend the rules so that more Welsh companies get the contract?'. However, I—

[210] **Julie James:** We also want to maximise the abilities of Welsh companies to compete in Europe as well.

[211] **Alun Ffred Jones:** Our focus is on Wales and on companies in Wales, and there should be something in there that makes that clear.

[212] **Julie James:** That is part of the reason why we included the sub-threshold stuff. Nearly all the complaints that we all get—and I have been looking quite carefully at them—are from companies that are tendering for public sector contracts that are below the thresholds. There is a big issue in my view—and this is not yet the committee's view, but we will see how the evidence goes—about how public sector bodies overregulate this sector, and that is why I wanted those terms of reference made clear. So, that means that we are looking not just at the new draft regulations, but at how they are implemented and how public sector contracting is implemented as a result of that all the way through.

[213] **Nick Ramsay:** Are you happy with the amendment as it stands?

[214] **Alun Ffred Jones:** No. I think that there should be some reference there to the desire to see more Welsh-based companies benefiting from procurement.

[215] **Leanne Wood:** I agree with that. What is there is great, but we can add something. I do not think that we should be nervous about how we word this because there was a commitment in the 'One Wales' agreement to increase the percentage of public sector contracts that went to Welsh-based companies.

[216] **Julie James:** If it is worded like that, there is no problem with that. That is fine.

[217] **Leanne Wood:** I think that we could do it like that.

[218] **Alun Ffred Jones:** I will leave that to the wisdom of the chair.

[219] **Julie James:** I wholly agree with that.

[220] **Nick Ramsay:** We can note your comments, and it might be helpful if meetings are held between you to discuss any further changes.

[221] **Julie James:** We can write that between us. I understand where we are going with that. I think that we all agree with where we are trying to go with it; it is just how we put that in.

11.44 a.m.

### **Cynnig Gweithdrefnol Procedural Motion**

[222] **Nick Ramsay:** We need, under Standing Order No. 17.42(vi), to exclude the public from the remainder of the meeting. I ask a Member to move the appropriate motion.

[223] **Joyce Watson:** I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).*

[224] **Nick Ramsay:** I see that the committee is in agreement.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.44 a.m.  
The public part of the meeting ended at 11.44 a.m.*