



Cynulliad Cenedlaethol Cymru
The National Assembly for Wales
Y Pwyllgor Cyllid
The Finance Committee

Dydd Mercher, 25 Ionawr 2012
Wednesday, 25 January 2012

Cynnwys
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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

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Ieuan Wyn Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour

Eraill yn bresennol

Others in attendance

Neville Davies	Cynghorwr Ewropeaidd Cymdeithas Llywodraeth Leol Cymru a Phennaeth Polisi Ewropeaidd a Chyllid Allanol, Cyngor Sir Gaerfyrddin Welsh Local Government Association European Adviser and Head of European Policy and External Funding, Carmarthenshire County Council
Mark Drakeford	Aelod Cynulliad, Llafur a Chadeirydd, y Pwyllgor Monitro'r Rhaglen Assembly Member, Labour and Chair, Programme Monitoring Committee
David Evans	Cyfarwyddwr Cyllid, Coleg Sir Benfro Director of Finance, Pembrokeshire College
Judith Evans	Pennaeth, Coleg Morgannwg Principal, Coleg Morgannwg
Guy Flament	Swyddog Polisi Rhanbarthol y Gyfarwyddiaeth Gyffredinol, y Comisiwn Ewropeaidd DG Regional Policy Officer, European Commission
Lowri Gwilym	Rheolwr Tîm—Ewrop ac Adfywio, Cymdeithas Llywodraeth Leol Cymru Team Manager—Europe and Regeneration, Welsh Local Government Association
Nicky Howells	Rheolwr Cyllid Allanol, Coleg Sir Benfro External Funding Manager, Pembrokeshire College
Agnes Lindemans	Pennaeth yr Uned—y DU ac Iwerddon, y Gyfarwyddiaeth Gyffredinol dros Bolisi Rhanbarthol Head of Unit—UK and Ireland, Directorate-General for Regional Policy
Karen Phillips	Dirprwy Bennaeth, Coleg Morgannwg Deputy Principal, Coleg Morgannwg

Marc Vermyle Y Gyfarwyddiaeth Gyffredinol dros Gyflogaeth, Materion
Cymdeithasol a Chynhwysiant, y Comisiwn Ewropeaidd
Directorate-General for Employment, Social Affairs and
Inclusion, European Commission

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Naomi Stocks	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil The Research Service

Dechreuodd y cyfarfod am 9.14 a.m.
The meeting began at 9.14 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** I welcome all Members to this meeting of the Finance Committee. Headsets are available for translation on channel 1 and for amplification on channel 0. I remind you all to turn off any electronic devices, because they interfere with the equipment. This is a formal meeting, so you do not need to operate the microphones. We are not expecting a fire alarm test, so, if you hear the fire alarm, it is probably a genuine emergency. I have received apologies from Ann Jones, who, unfortunately, is not able to be with us today.

9.14 a.m.

Effeithiolrwydd y Cronfeydd Strwythurol Ewropeaidd yng Nghymru—
Cyfarwyddiaeth Gyffredinol dros Bolisi Rhanbarthol, a'r Gyfarwyddiaeth
Gyffredinol dros Gyflogaeth
The Effectiveness of European Structural Funding in Wales—DG Regional
Policy and DG Employment

[2] **Jocelyn Davies:** We move on to our inquiry into the effectiveness of European structural funding in Wales. We are joined by our witnesses, officials from the European Commission, via video conference today. Shall we do a test? Can you hear us okay?

[3] **Ms Lindemans:** Yes, we can hear you very well.

[4] **Jocelyn Davies:** Thank you. Would you like to introduce yourselves?

[5] **Ms Lindemans:** Yes. Thank you very much. First, we are very pleased to have this meeting, even if it is long distance, with your group. I am Agnes Lindemans, head of the unit responsible for the regional interventions in the UK and Ireland, and we are dealing particularly with the European regional development fund programmes.

[6] **Mr Flament:** Good morning, everyone; I am Guy Flament, desk officer for west Wales and the Valleys, and co-ordinator for the Welsh programme in DG Regio.

[7] **Mr Vermyle:** Good morning. I am Marc Vermyle from DG Employment. I am in the ESF unit dealing, among others, with the UK, and I am the desk officer for Wales.

[8] **Jocelyn Davies:** Thank you. We will not introduce ourselves individually, but I am sure that you can see the whole committee. We are very grateful that you have supplied us with papers to read in advance; all Members have read those papers. Do you have a brief statement to make before we go into questions, or would you prefer that we go straight to questions?

[9] **Ms Lindemans:** Perhaps I can just tell you on behalf of the DG Regio and DG Employment that we are, in general, very satisfied with the regional development programmes as they are working in Wales. The programmes in Wales on particular and different issues are considered to be exemplary in the way in which they are run and in the way, for instance, in which partnership is working in the programmes. So, we are very happy with the way in which this is proceeding, and I would like to transmit that message to you from the European Commission.

[10] **Jocelyn Davies:** Thank you very much for that. In your evidence, you mention that you are monitoring closely the financial and physical achievements of the structural fund programmes here in Wales. How are we comparing with other regions within the EU in terms of the progress made in achieving the intended outputs?

[11] **Ms Lindemans:** It is very difficult to compare because the way in which physical progress is measured in the programmes is different in the different member states and regions. However, what we are measuring is, on one side, the financial implementation. I do not have the figure with me, but my colleagues who are dealing with the Welsh programmes on a daily basis will give you further evidence on that progress. In general, we can say that the progress is very good compared with the average in the EU. The programmes are nearly fully committed, and also, in terms of delivery on the ground, in terms of payments, the progress is very much on track. The proof of that is that Wales was successful in meeting its targets in financial implementation, well above the minimum required according to the standards that were set at the beginning of the programme.

[12] As far as the physical implementation is concerned, we are monitoring this mainly through the annual implementation reports, where we have a whole set of indicators against which we get information on where they are in terms of results, but also in terms of the physical implementation. It is more difficult to compare there, because there were no predefined indicators set from the beginning of the programme that were the same for all the programmes in the EU. However, in the course of the implementation of these programmes, a set of core indicators were identified, which will allow the Commission, after a couple of years, to make the comparison between the different programmes and how they are behaving and delivering against the targets that have been initially set. Perhaps Guy Flament would like to add something to that.

[13] **Mr Flament:** Insofar as commitment is concerned, which is the main financial measure, 80% of the programme has been committed. If we make a comparison against the original profile, and add its satisfactory progress, the targets that were set at the beginning of the programmes are being met. Regarding the physical output of the programme, we are faring fairly well in that most of the targets that were set at the beginning of the programme are likely to be achieved. We are pretty satisfied on our side in terms of the risk, for the time being. Upon examination of the targets, some will be increased and some will be decreased because, due to Wales's experience of the economic downturn, some of the targets would be quite impossible to achieve. That is normal, because the circumstances when the targets were defined have changed. The UK economy was booming initially, but two years into the programme period, it went into a deep recession. Therefore, some of the targets could be revised downwards; others will be revised upwards because we have already met the expectations that were set out at the start of the programme. All in all, the progress of the competitiveness and convergence programmes is very satisfactory. We are monitoring that

closely and we not only receive an annual report, but attend the monitoring committee that takes place three times a year.

[14] **Jocelyn Davies:** Are there any areas where you have concerns?

[15] **Mr Flament:** Not so far. We monitor the progress of the programmes by each priority. Some of the priorities are closed, but others are ongoing. It depends on the flow of projects and the application made by the beneficiaries. All in all, I do not see any gaps in the priorities. On the contrary, if we consider the expressions of interest that the Welsh European Funding Office has received, the programme is oversubscribed. We are not worried about the overall absorption of the funds yet.

[16] **Ms Lindemans:** Do you have something to add on the first ESF?

[17] **Mr Vermyle:** Coming back to your initial question on comparison with other regions, as my colleague has pointed out, that is rather difficult to do. However, if we look at the overall UK picture and then look at the percentage spend of the total ESF allocation, we can see that, for the two ESF programmes, what is spent and paid out by the Commission to Wales is among the highest of all that is paid out on a UK level. On average, you are performing better than most UK programmes in introducing ESF payment claims to the Commission. That is certainly fine. The indicators and targets are sufficient and satisfactory. There is just one point to mention and that is priority 4, which is the improvement of public sector services, where the performance possibly remains to be reviewed. That is rather a new priority that did not exist in the past and it still seems to be going through some early experience issues.

[18] **Jocelyn Davies:** In your evidence you mention that the ERDF investment induced indicator is forecast to achieve only 80% of the programme target. As you know, WEFO is actively pursuing an amendment to the definition of that indicator in order to improve the likelihood of the target being achieved. Is that normal practice?

[19] **Ms Lindemans:** Yes. It is normal practice. That is a phenomenon that we see everywhere in Europe and in the UK. It is difficult, because we have limited experience in the Commission, as well as in the regions, in setting the appropriate targets from the beginning of the programme periods. We see in all of the programmes that some of the targets have already been achieved and will be overachieved, because they were underestimated when the programmes were negotiated, and vice versa. So, in some situations, we see that the target has been set too optimistically and it is not possible to achieve it. During the mid-term reviews that have been conducted of all the programmes, this exercise has been done and we have had a careful analysis of all the cases in which we saw that something was wrong with the setting of the targets. In the cases where we saw that there was an over- or an underestimation, we have accepted a change in the targets or a change in the definition of the targets in order to make them more realistic. So, this is a phenomenon that is seen everywhere.

[20] **Jocelyn Davies:** Thank you for that clarification. Peter, would you like to ask your question?

[21] **Peter Black:** Given the decline in GDP per head, relative to the EU 27, in both west Wales and the Valleys and east Wales between 2000 and 2008, what conclusions can be drawn as to the effectiveness of the structural funds programmes in Wales during this period?

[22] **Mr Flament:** Looking at the gross figures could be meaningless. One needs to consider the reason why GDP has not experienced any increase. You are still under the influence of the decline of the traditional industries in Wales. GDP is not the only measure; there are also positive signs such as gross income per inhabitant, which has gone up in the

same period. We still expect that GDP will be above the 75% threshold. The Welsh Government is fully committed to being above that target, but there are some explanations for the situation in that, in the meantime, you have had the economic downturn and the financial crisis, which have had a negative impact on GDP in Wales.

[23] **Peter Black:** This happened before the financial downturn and the economic crisis; this is 2000 to 2008.

[24] **Mr Flament:** We examined the trend in GDP over the last five years, but there is a lagging effect in measuring GDP. It is not a one-off decline. The trend in GDP over the last three or four years shows a decline in real terms, considering the lagging effect in measuring GDP.

[25] **Peter Black:** Is it not the whole point of the European funding programme to raise GDP and to improve the relative prosperity of Wales as compared to other regions that do not have that funding?

[26] **Mr Flament:** That is the whole point, but we defined the priorities of the programme in 2003. In the meantime, the economic situation has changed. The whole point is to raise the GDP—obviously, that is the main aim. The Welsh Government is also committed to increasing GDP. However, if you consider the negative impact on the GDP, you can conclude that GDP is dependent not only on the way in which the programme has been managed, but on the unfortunate change in conditions. However, we are still aiming to achieve that target of 75%.

[27] **Ms Lindemans:** One could always ask the question as to what would have happened had there not been ERDF and ESF support for the Welsh region. We do not yet have the tools in order to prepare a clear analysis of the exact contribution of ERDF and ESF and their impact on GDP in a particular region.

9.30 a.m.

[28] We have these figures more on the macro level, and our macro-economic evaluations have shown that, overall in the EU during the period 2000-06, the contribution of structural funds was at a rate of 3%, adding to the global GDP of the European Union. We have no reason to believe that that effect would not have taken place in Wales. So, from that perspective, we consider there to have been a positive impact on the GDP for Wales, even if it is true that, in relative terms, the increase is not visible.

[29] **Peter Black:** You said earlier that the main measure that you apply to European funding is the financial commitment of those funds. Are you not measuring the wrong thing? You are measuring how much we spend, but you are not measuring how effective that spend is. Given that a region such as Cornwall has done much better out of European funding than Wales has, is there not something going wrong in the way that funding is being applied here?

[30] **Mr Vermyle:** I think that that is a misinterpretation of what we said. There are strictly two points: one is financial achievement and the other is the achievement of targets and indicators, and the second is of higher importance to the Commission than the first.

[31] **Mike Hedges:** Carrying on from Peter's point, it has been suggested to the committee that WEFO places too much emphasis in the current programme on monitoring project expenditure at the expense of capturing the impact and benefits of intervention on the ground. As Peter was saying, it is about improving GDP for the area and making west Wales and the Valleys a wealthier place than it was before. What we have seen, and what people have been telling us, is that they are very good at ticking boxes and telling us that they have spent this or

that, but actually making the area wealthier is something that we seem to have difficulty with.

[32] **Ms Lindemans:** We have to see WEFO activity in the life cycle of a programme. It is normal that, at the start of the programme in 2007 and in subsequent years, the activity of the managing authority is very much directed towards the selection of the appropriate projects and towards ensuring that they are implemented, which means that they have to follow the extent to which these projects introduce payment claims and have a financial implication.

[33] What we see now, however, is that this is well on track. WEFO is continuing to monitor progress, but on top of that, we now have different types of evaluations being conducted. We have the overall evaluation of the programme and of what is ongoing—if my memory is correct. We are waiting for the results, which we shall have sometime in the spring of this year. We then have a series of thematic evaluations in which the big thematic team looks into the effectiveness of the measures that have been taken.

[34] So, at the beginning of the programme period, yes, you have to really look at the selection of the projects, and it is only after a certain time, now that we are in the second half of the programme period, that we can look at what has been realised in physical terms and in the form of results, and the extent to which this has contributed to the priorities that were set by the Welsh Government and by you, along with the extent to which lessons can be learnt for the future. I agree with you: there are always things that can be improved, and there can always be more targeting and better definitions of projects that can be realised.

[35] **Christine Chapman:** Some of you will be advisers to the all-Wales programme monitoring committee. Do you have a view on the extent to which structural fund projects in Wales are delivering value for money?

[36] **Mr Flament:** Going through the life cycle of the project, you make a selection of projects based on a number of parameters so that you can see the exact strategy for the project. When the project is completed, you carry out an evaluation to determine if what you had anticipated has materialised.

[37] Do not forget that we are in the middle of the programming period, that some projects are being closed and that we are undertaking an ongoing evaluation of the projects. It is only by the end of the programming period that we will measure the real impact of the programme on the ground. We are measuring the outcomes of the project. At the end of 2013-14, we will be evaluating the impact of the programme. So, it is an ongoing process. The initial indications tend to demonstrate that the programme is performing quite well, but its real impact will only be evaluated at the end of the programme.

[38] **Ms Lindemans:** To add to that, one of the points on which we also try to measure the value added is at the level of the selection of the projects. In the ERDF and the ESF, we apply the principle of gap funding, so we bring money into projects where we can see that they cannot stay in place without additional financing. We can add this money to the match funding that is available, and we can realise projects that would not be otherwise realised, as the funding would not be there. That is also a good indication of the extent to which we bring value added to the programmes.

[39] **Mr Vermyle:** To add something from my side, WEFO plays a very proactive role, because it monitors the performance of projects on a very regular basis, and it is among the fastest, compared with counterparts in other regions of Europe, to de-commit funding from under-performing projects, therefore liberating funds for delivering better added value.

[40] **Christine Chapman:** That was going to be the subject of another question that I had, about whether you were satisfied that WEFO has the right systems in place to deal with this.

However, to go back to the point that you made about the evaluation at the end of the programme, what happens halfway through the life of the programme? At the end, it is probably too late to judge whether the programme is value for money, so are you monitoring the programme throughout?

[41] **Mr Flament:** WEFO has dedicated staff to monitor the projects. As Marc mentioned, if projects are under-performing, money could be withdrawn and recycled into the programme. That is how WEFO works. WEFO constantly monitors projects against their profile, absorption, outputs and so on. So, the monitoring system that is in place enables WEFO to keep track of the key data—key data meaning physical outputs and absorption, for instance. If the project does not perform accordingly, WEFO could decide to take out the money and put it back in other projects. That has already been done.

[42] **Ms Lindemans:** To add to that, you are right to point out that the evaluation that we will see in the spring of 2012 will probably be too late to change the current programme, but that is not the only evaluation that has taken place. We have an ongoing evaluation, which takes place throughout the programme period. Although it is not undertaken in a formalistic way, it means that not only are individual projects monitored to see whether they deliver but we also see whether some priorities are under-performing, and whether there is a necessity to transfer money from one priority to the other. That ongoing monitoring is taking place with the help of the monitoring committee, which has also undertaken close work on that. Whenever necessary, the transfer of money to the less-delivering to the better-delivering priorities can take place, and it has already taken place.

[43] **Mr Flament:** It has already been done twice. For example, money is being transferred—

[44] **Jocelyn Davies:** Could you provide us with clarification on the transfer of funds? Are you talking about the money being spent—if money is not being spent, you will spend it elsewhere? Is it that, if the projects are not successful, you will cancel them and divert the funds elsewhere?

[45] **Ms Lindemans:** Yes. That is right.

[46] **Mr Flament:** The success of a project is not measured by physical absorption, but by the output that the project is delivering.

[47] **Ieuan Wyn Jones:** Hoffwn ofyn cwestiwn cyffredinol ynghylch eich tystiolaeth. Edrychais ar atebion y ddwy adran o'r Comisiwn i gwestiynau'r pwyllgor. I ba raddau mae honno'n dystiolaeth gan y Comisiwn ei hun, ynteu a yw'n ailadrodd y wybodaeth a gawsoch gan WEFO?
Ieuan Wyn Jones: I would like to ask a general question about your evidence. I looked at the answers given by both sections of the Commission to the committee's questions. To what extent is that evidence from the Commission itself, or does it repeat the information that you received from WEFO?

[48] **Mr Flament:** That is the evidence that we have gathered over time. Of course, we have based some of the data on the evidence provided by WEFO and the evidence gathered through our monitoring committee, but it is the opinion of the Commission. We formulate our views on the achievement of the programme.

[49] **Ms Lindemans:** In my position as head of unit for the UK and Ireland, I can look at what is happening elsewhere in the UK and in Ireland, so I can compare what is happening in Wales with what is happening in other devolved nations or in England and Ireland. Therefore, I can only subscribe to what my colleague said on the performance of the programme and on

how WEFO is implementing it. We have formulated our opinion based on what we have seen at our level. We deliberately did not go into the details of how individual projects are managed, because we do not do that at our level, but we can express our opinion on the overall implementation and evaluation and on how projects are delivering towards the targets that were agreed with the Commission.

[50] **Ieuan Wyn Jones:** Mae gennyf gwestiwn penodol ar y system gaffael. Mae nifer o randdeiliaid wedi darparu tystiolaeth ysgrifenedig a llafar i'r pwyllgor, gan nodi mai un o'r problemau yw'r oedi gyda'u cynlluniau oherwydd eu bod yn gaeth i'r system gaffael, sydd, yn ôl WEFO, yn rhan angenrheidiol o'r rhaglen. Felly, pa mor bryderus ydych chi o glywed y dystiolaeth honno?

Ieuan Wyn Jones: I have a specific question on the procurement system. Many stakeholders provided written and oral evidence to the committee, stating that one of the problems is the delay to projects because of their being tied into the procurement process, which is, according to WEFO, a necessary part of the programme. So, how concerned are you on hearing that evidence?

[51] **Mr Flament:** At the start of the programme, open bidding and full procurement were decided by WEFO, first to save costs and in order to have bigger projects, which both parties—*[Inaudible.]* So, the trend in this programming period is towards higher-value projects. Of course, procurement takes time to be implemented—a delay of six months is not unusual. Some participants state that that hinders the progress of their operations, but once you get into the habit of procuring and getting the projects through procurement, it saves time and saves WEFO money. So, procurement has been applied across the board and we will now be seeing the benefits of the procurement process. Organisations and small institutions are getting used to it, and WEFO is providing assistance to the beneficiaries to help them to procure, so things are now moving.

[52] **Ieuan Wyn Jones:** Ymddiheuraf, ond ni chlywais yr ateb yn glir oherwydd rhyw broblem gyda'r sain. A yw caffael yn rhywbeth mae'n rhaid i WEFO ei gynnwys fel rhan o'i rhaglenni, ynteu a yw'n rhywbeth mae wedi dewis ei gynnwys ei hunan, er nad yw'n angenrheidiol?

Ieuan Wyn Jones: I am sorry, but I did not hear the answer clearly because of a problem with the sound. Is procurement something that WEFO has to include as part of its programmes, or is it something that it has chosen to include itself, which is not necessary?

9.45 a.m.

[53] **Mr Flament:** WEFO is complying strictly with the European regulations. Before awarding the grants, we in the Commission proceed by procurement or open bidding. The name of the game is that the process should be fully transparent and all the beneficiaries or applicants should have access to the fund. That is a principle that WEFO has been implementing in this present programming period. Transparency and non-discrimination are basic principles that we apply in the Commission, and WEFO has been aiming to implement that through this programming period.

[54] **Ms Lindemans:** This is not something that is peculiar to Wales and the Welsh programmes. We also see this principle of transparency in other areas and regions of the UK and beyond. As Guy said, the principle of transparency is very important, because we do not want to give the impression to citizens that ERDF and ESF money is only available to the happy few and that nobody knows how projects have been selected. So, for us, a transparent procedure for the selection of projects is key in the delivery of all programmes in Europe. As Guy has pointed out, WEFO has put in place very good support to potential beneficiaries in order to deal with these procedures. It also has a well-performing management system that minimises the administrative burden for the beneficiaries in the course of bidding for a project

and in the follow-up, once they have been successful in the bidding round.

[55] **Jocelyn Davies:** Our evidence from small organisations suggests that it is difficult to just go over to a procurement exercise. So, your argument that people in communities have to see this as accessible for everyone hardly stacks up. I know that many Members want to ask more questions. Ieuan, you have one more question and then Julie, we will come to you.

[56] **Ieuan Wyn Jones:** No, I will leave it.

[57] **Julie Morgan:** We have received evidence from the Wales Council for Voluntary Action and other organisations that, if a project earns any income, that sum is deducted from its grant. The people giving evidence to us felt that that was unfair and made the projects unsustainable. Is that a correct interpretation of the regulations?

[58] **Ms Lindemans:** Yes, that is a correct interpretation of the regulations. There is a specific provision in the regulations saying that, for revenue-generating projects, the grant is reduced in line with the revenue generated. Why does that happen? It is again linked to the principle of gap funding—we only fund the part that is necessary to realise the project. This means that, if there is income, it cannot be additional income; it has to be deducted from the grant. If you are telling me that that makes projects unsustainable, I am not exactly sure what you mean by that. Does it mean that the projects go bankrupt or cannot continue?

[59] **Julie Morgan:** The evidence was that it was less likely that they would continue after the grant funding had been removed, because the income was deducted from the grant as they went along.

[60] **Ms Lindemans:** Financing projects that can become sustainable is key in what we are doing. I am happy to look at what is happening with these projects in more detail with WEFO, because that is certainly not the purpose of our contribution. The aim is not to make projects unsustainable. So, we have to look at what is happening there and at the particular issue to which you refer.

[61] **Julie Morgan:** It would be good if you looked at it in more detail, because several organisations gave this evidence.

[62] **Ms Lindemans:** Was it for an ERDF type of funding or for social fund organisations?

[63] **Julie Morgan:** I think that it would be best if we sent you the evidence.

[64] **Ms Lindemans:** Okay, thank you very much.

[65] **Jocelyn Davies:** Ieuan, you have some questions on private sector engagement.

[66] **Ieuan Wyn Jones:** Rydych yn awgrymu yn eich tystiolaeth bod angen ystyried y ffordd orau o gynnwys y sector preifat yn ehangach yn rhaglenni'r cronfeydd strwythurol yng Nghymru yn y dyfodol. Rydym wedi clywed hynny mewn tystiolaeth o wahanol gyfeiriad. Sut y mae Cymru'n cymharu â rhanbarthau eraill yn yr UE o ran rôl y sector preifat? A yw diffyg parodrwydd y sector preifat i gymryd rhan arweiniol yn y rhaglenni yng Nghymru yn rhywbeth sydd yn

Ieuan Wyn Jones: You suggest in your evidence that consideration needs to be given to how to engage the private sector more extensively in the structural funds programmes in Wales in future. That is evidence that we have heard from a number of different directions. How does Wales compare with other regions of the EU in terms of private sector engagement? Is the lack of willingness on the part of the private sector to take a lead role in the programmes

cael ei adlewyrchu ar draws yr UE?

in Wales something that is reflected across the European Union?

[67] **Ms Lindemans:** Again, it is difficult to make a comparison with other EU regions for the simple reason that member states have the choice to declare to us either the total cost, including the cost of the private sector, or only the public sector part. Therefore, from what we see with regard to the financial implementation of the programmes, we cannot get a good overview of exactly what the private sector's contribution is to the different programmes in the different parts of the European Union. However, when I compare with the rest of the UK, I can say that Wales is quite ahead in involving the private sector and seeking private sector direct application and match funding in the implementation of the programmes and the projects.

[68] The figures for what is happening in Wales are lower than those for what, on average, is happening in the UK, and particularly in England. However, again, there are good reasons why this is happening. We all know that Wales is an economy that is highly dependent on the public sector for various reasons, which you know better than us. However, we also know that there is nevertheless a constant effort to look for more direct private sector investment. We should also not forget that the private sector is benefiting indirectly from our programmes, because projects conducted by the public sector are procured and, via that channel, the private sector benefits from the programmes.

[69] **Mr Vermyle:** If we look at those projects with completed procurement exercises, we can see that the number of private sector projects is not to be underestimated. In fact, it is more than 50% of all the funding for awarded contracts so far under procurement rules. That is quite a considerable amount if you look at the figures.

[70] **Ms Lindemans:** There is one issue that I forgot to mention concerning ERDF of which we are particularly proud, namely that we have two financial engineering instruments in the programmes. One is the JEREMIE instrument, which is geared towards the support of businesses and which directly supports the setting up and expansion of businesses. It is working well and delivering. There we have a very good example of how we have been able to mobilise the private sector better in the implementation of the programmes. We also have the JESSICA fund, which supports sustainable urban development, again directly with the private sector. So we have good examples of how, in this present period, we have made progress on involving the private sector and delivering on the programmes.

[71] **Ieuan Wyn Jones:** May I just ask one final question on the private sector? I am looking at the evidence given by DG Regio as the reason why the private sector may not be leading projects in Wales. It says in the evidence:

[72] 'as Wales is primarily a public-sector economy',

[73] but that is not true.

[74] **Jocelyn Davies:** The Member is suggesting that your evidence is, in fact, incorrect in the assumption that Wales is primarily a public sector economy.

[75] **Ms Lindemans:** We will verify that with the figures. It has probably been made on the basis of certain statistics that we will have to verify.

[76] **Jocelyn Davies:** A clarification as to how you drew that conclusion would be great. I will move on to ask Paul Davies to ask a question. We only have a few minutes left, and we have one or two questions remaining, so I would be grateful if you would keep your questions and answers brief.

[77] **Paul Davies:** Will you clarify your earlier comments when you said, I think, that you are unable to monitor the success of projects engaging with the private sector? Is that correct? Are you telling us that you cannot measure the success of projects that engage with the private sector?

[78] **Mr Flament:** No, we did not conclude that. All projects are monitored in the same way. WEFO's monitoring system assesses the indicators. All data on performance projects are captured at beneficiary level. So, we also monitor the private sector projects.

[79] **Ms Lindemans:** I probably was not clear in what I said. I wanted to point out that it was difficult to make a comparison between Wales and the rest of Europe as to the extent in which the private sector is involved because we do not have reliable and comparable data on its involvement. That was the point that I wanted to make.

[80] **Paul Davies:** You have already mentioned the JEREMIE fund; there is the JESSICA project as well, which engages with the private sector. Our understanding is that the regeneration investment fund for Wales, set up under the JESSICA scheme, has not yet made its first investment. Does this cause you any concern? How does that compare with the progress made by similar funds elsewhere in the EU?

[81] **Mr Flament:** I will answer that straight away. There are two or three projects that are ready to be implemented according to the latest data that we have. JESSICA's progress has been pretty slow from the start but we have great hopes that the funds will be well absorbed in Wales. The three projects that are ready to be approved were ready to be approved at the last monitoring committee meeting. In comparison with other regions in the UK, they are more advanced. JESSICA funds have just been established, for instance, in the north-west of England, but you are ready to strike with these in Wales.

[82] **Jocelyn Davies:** You cited this fund as an example of good interaction with the private sector, but it has yet to make its first investment. That does not seem to be very good evidence that we are engaging well with the private sector.

[83] **Mr Flament:** JESSICA was a difficult instrument from the start. There were many considerations before the scheme could be implemented. When I look at JEREMIE, for instance, 50% of the money has already been absorbed, aiding 280 enterprises in Wales. So, sometimes, it takes time to develop to ensure that all the investment is well in place and complies with the regulations. We had some difficulties with JESSICA initially all across Europe. Wales is not the only case.

[84] **Ms Lindemans:** Do not forget that JEREMIE and JESSICA are revolving funds, which means that the money will come back. For every euro of European regional development funding that we are putting into this, the money will come back via the revenues and capital, which will be reinvested in the fund. It will leave a legacy well beyond the current programmes. This is something that will be to the benefit of the private sector well beyond the current programming period.

10.00 a.m.

[85] **Jocelyn Davies:** We understand the workings of it, but it cannot revolve if it just sits there and does not do any work. Paul, you have one final question.

[86] **Paul Davies:** The paper from DG Employment states that higher intervention rates have been considered only as an exception rather than the rule. How many times have higher intervention rates been used to support new projects in Wales since 2009? Is Wales making

the most effective use of the increased intervention rates?

[87] **Mr Vermyle:** With regard to the number of times that the higher intervention rates have been used, I would have to gather that information as I do not have it to hand. We do not see that information directly. However, as to how well it has been used, we see that, when they use it, they do so for good reason, because it would otherwise be impossible to launch the project. For us, that is sufficient reason to be quite satisfied with the outcome of this exercise. However, as for the official figures, I would have to gather them for you.

[88] **Paul Davies:** Could you send those figures to the committee, please?

[89] **Mr Vermyle:** Yes.

[90] **Jocelyn Davies:** Thank you very much for the evidence that you have given us this morning. I think that we have all found it very useful. We will, of course, send you a copy of the transcript of the meeting, if you would be so good as to check it for factual accuracy. Thank you very much.

10.02 a.m.

**Effeithiolrwydd y Cronfeydd Strwythurol Ewropeaidd yng Nghymru—
Cymdeithas Llywodraeth Leol Cymru
The Effectiveness of European Structural Funding in Wales—Welsh Local
Government Association**

[91] **Jocelyn Davies:** I am very grateful that we have representatives from the Welsh Local Government Association with us. Thank you very much for attending. Before you introduce yourselves, I would also like to thank you for the paper that you sent us, which all Members have read. Please introduce yourselves and, if you like, give a short introduction and we will then move on to the questions.

[92] **Ms Gwilym:** Bore da. Hoffwn yn gyntaf ddiolch am y gwahoddiad i'r pwyllgor y bore yma. Rydym yn croesawu'r cyfle i roi tystiolaeth i'r pwyllgor ac yn edrych ymlaen at weld beth yw casgliadau'r pwyllgor, gan obeithio y byddant yn cyfrannu at y gwaith o ddatblygu prosesau ar gyfer y cyfnod nesaf o raglenni Ewropeaidd.

Ms Gwilym: Good morning. First, I would like to thank you for the invitation to come to committee this morning. We welcome the opportunity to give evidence to the committee and look forward to seeing the committee's conclusions, with the hope that they will contribute to the development of processes for the next phase of European programmes.

[93] Lowri Gwilym ydw i. Rwyf yn gweithio fel rheolwr y tîm Ewropeaidd ac adfywio yng Nghymdeithas Llywodraeth Leol Cymru. Yn ymuno â mi mae Neville Davies, sy'n un o gynghorwyr y gymdeithas ar faterion Ewropeaidd a hefyd yn bennaeth cyllid a pholisi Ewropeaidd yng Nghyngor Sir Gâr. Roedd Peter Mortimer i fod i ymuno â ni, ond mae e'n ymddiheuro gan nad yw'n gallu bod gyda ni'r bore yma.

I am Lowri Gwilym. I am the manager of the European and regeneration team for the Welsh Local Government Association. Joining me is Neville Davies, one of the association's advisers on European affairs and also head of European funding and policy at Carmarthenshire County Council. Peter Mortimer was supposed to join us, but he has sent his apologies as he is unable to be with us this morning.

[94] Mae llywodraeth leol yn chwarae rhan ganolog yn y rhaglenni presennol. Mae

Local government plays a central role in the existing programmes. We have a key role in

gennym rôl allweddol o safbwynt cynghori a chefnogi cyrff ar y lefel lleol a rhanbarthol i gael mynediad at y rhaglenni a hefyd o safbwynt arwain a chyflenwi prosiectau ar wahanol lefelau ar draws Cymru—o'r lefel lleol i gydweithio gydag awdurdodau lleol a chyirff eraill ar lefel is-ranbarthol a rhanbarthol. Mae llywodraeth leol yn arwain ar 64 prosiect fel prif noddwr, ac mae hynny'n cynrychioli buddsoddiad o £375 miliwn o gronfeydd strwythurol Ewropeaidd yn uniongyrchol. Mae llywodraeth leol hefyd yn gweithredu prosiectau o fewn fframweithiau ehangach, megis rhai o brosiectau strategol Llywodraeth Cymru a chyirff cenedlaethol eraill.

terms of advising and supporting organisations at a local and regional level to access the programmes and also in terms of leading and delivering projects at various levels across Wales—from the local level to co-operating with local authorities and other bodies on a sub-regional and regional level. Local government is leading on 64 projects as the main sponsor, and that represents an investment of £375 million of European structural funds directly. Local government also operates projects within wider frameworks, such as some of the strategic projects of the Welsh Government and other national bodies.

[95] Rydym yn hynod o awyddus i sicrhau bod gwersi yn cael eu dysgu o'r ffordd y mae'r rhaglenni presennol yn cael eu gweithredu a rhai o'r prosesau sydd wedi achosi rhwystredigaeth ac oedi wrth i'r gwaith o baratoi ar gyfer y cyfnod newydd o raglenni ddwysau dros y ddwy flynedd nesaf. Rydym yn hapus i gymryd unrhyw gwestiwn ynghylch ein tystiolaeth.

We are very keen to ensure that lessons are learnt from the way in which the existing programmes are being operated and some of the processes that have caused frustration and delays as the work of preparing for the new phase of programmes intensifies over the next two years. We are happy to take any questions about our evidence.

[96] **Jocelyn Davies:** Thank you. Would you like to introduce yourself Mr Davies?

[97] **Mr Davies:** My name is Neville Davies. I work for Carmarthenshire County Council, and I am also an advisor to the WLGA on European policy matters.

[98] **Jocelyn Davies:** You mention in your paper that Welsh local authorities have found the process of accessing the current round of structural funds to be bureaucratic and complex. What impact has that had on the effective delivery of those local authority structural fund projects?

[99] **Mr Davies:** The direction of travel that was decided upon to deliver structural funds this time around was meant to be far more strategic than it had been in the past. Local government has totally supported that role, in order to maximise the benefits that would accrue from the structural funds. However, the approach meant that we needed to revisit the delivery models, because many of the larger projects would be extremely complicated and would involve a range of organisations—other partners as well as local authorities. Delivering them meant complying with state aid regulations and other regulations in order to ensure the maximum benefits. All that would take time. If you were going to deliver something like 400 strategic projects—far less than under Objective 1; we did something like 4,000 at that time—governance issues would need to be addressed, as well as legal issues, in terms of our partners coming together to shape and deliver the projects. In the past, WEFO and legal colleagues within the Welsh Government had to look at ensuring that the procurement process ticked all the right boxes. That was quite confusing early on, because once legal people get involved, they can add to the complexities of the process, and in the meantime, we still had to start developing the projects—project development and planning can take two to three years, because of the scale of the projects. WEFO issued guidance towards the middle of 2008, but it is fair to say that that complicated matters even further in terms of whether you could be a joint or lead sponsor, or whether or not your project could be a grant scheme. So, there were

complexities in the process.

[100] However, I must add that, over time, things have improved and have become much more transparent and there is clarity in recent guidelines. From a sponsors' perspective, there were complications. To be fair, WEFO, as well as some of the staff, found the process to be quite complex. That is where the complications and delays occurred very early in the process. It resulted in the complicated delivery models that we have out there, whereby you have some schemes that would involve three or four different layers of procurement. Whereas there could be one lead body delivering a project, there could be a dozen or more different lots being procured. Accepting that the process had to be much more transparent, and accepting that it had to have an open process to allow other bodies to bid for tendering work, has added to further complications as well, but that is something that we have to accept.

[101] **Mike Hedges:** In your evidence, you suggest that there is too much emphasis in the current programme on monitoring expenditure at the expense of capturing the impact of interventions, which is something with which I agree. Am I allowed to say that? *[Laughter.]* If that is the case, what action should WEFO take to improve the situation?

[102] **Mr Davies:** WEFO has an excellent monitoring system, and an excellent database for capturing information. That information is also collated at a project level. The difficulty that we have at the moment is not knowing what is being captured at a regional or local level, with the plethora of projects that are often involved in delivering within an area, whether it is delivering grant schemes for businesses, or supporting and tackling the inactivity problems that we have in our areas. So, it is quite a complex system. The data tend to be high-line data—we know what is happening at a local level for capturing some of the job outcomes, but it is very difficult to know what is happening below that. The databases will capture some of the data, but not all of them. Unfortunately, the data collection is sometimes not available until the end of the projects being delivered, and that is, very often, too late to take any kind of action to improve things in the future.

[103] **Mike Hedges:** I tend to agree with you. You also suggest in your paper that WEFO should publish the project output data that it collects on a local authority level, in order for you to assess the impact of the programme and identify any potential gaps in the delivery. Have you raised that issue with WEFO directly, or via your membership of the programme monitoring committee? If so, what sort of response have you had? If you consider that the whole aim of this is to improve relative GDP—I know that relative GDP might improve because of failures in other parts of Europe, but we want to improve actual wealth as well—how does all of this fit in together?

[104] **Ms Gwilym:** I will make a start in terms of the dialogue with WEFO. We have quarterly meetings with the senior management team in WEFO, at which we have an opportunity to raise a number of issues. We have very constructive dialogue in raising issues, and also, crucially, in trying to identify potential solutions. This has been one of the key issues that local authorities have raised with us over the last period. We do not feel that the data that it publishes on its website at the moment give us enough information to assess the impact of the funds on a local and regional level. There is a table that is broken down by local authority area, but it is very difficult to get behind the figures and to get a picture in order to capture the impact of the investment. We are working with WEFO on trying to ensure that we can find a way—in all the information that it captures, for example on when projects put their claims in on a quarterly basis—to publish more usable data for us all to make a judgment on the impact of the funding on the ground. However, more crucially, local authorities identifying any gaps in delivery is also a big part of that work.

[105] On GDP, I am not sure—

[106] **Mr Davies:** Even though we are four or five years into the programme, many of the outputs are still in the process of being delivered, particularly on the large job-creation-type initiatives that we are developing and delivering at the moment, such as major schemes in town-centre regeneration. We have a property development grant scheme in south-west Wales that is targeting the private sector. These schemes involve major investment and they will not be completed for at least another couple of years; that is when we will have the real outcomes in terms of job creation. We are missing an opportunity here, because the job creation definition at the moment does not reflect what is happening on the ground—it does not capture some of the fixed-term jobs that are being created. I know that many of the infrastructure schemes would involve an investment of three or four years in delivery time, and we are not capturing those kinds of data. I will stand corrected by WEFO, but based on the current statistics, the job-creation figures should be a lot higher than they currently are.

10.15 a.m.

[107] **Peter Black:** You mention in your paper that there continues to be room for improvement with regard to the evaluation of the work done by WEFO. Can you outline how WEFO should improve its approach to evaluation?

[108] **Ms Gwilym:** On evaluation, we are comfortable that the scale of the effort by the WEFO research and evaluation team has proved effective. On monitoring, we are concerned with the lack of detailed monitoring information. As a result of that, local authorities have been undertaking their own evaluations, in order to capture some of the more indirect outcomes and the more sustainable outcomes going forward. Local authorities in the south-east Wales Valleys have done a lot of work on convergence and their physical regeneration schemes to try to capture some of the more indirect benefits of those projects. There is room for improvement on the monitoring side, so that we have a better understanding of the impact of the investments.

[109] **Mr Davies:** Monitoring and evaluation need to take place at different levels, at a programme level and at a regional level—because of the level of regional activity, whether that is in the Valleys, north Wales, south-west Wales, mid Wales or wherever. We need to capture those data, because we need to know where we are now, where we need to get to and what are we not doing correctly. The whole point of evaluating is to look at the efficiency and effectiveness of our initiatives, and then we can look at the impact that initiatives are having down the road. WEFO has undertaken some excellent examples of evaluations. Surveys have been undertaken to look at the impact of ESF levers, and a business survey was undertaken in the last couple of years. Given the level of collaboration that we have at the moment, and the regional activity, it is difficult for us to have an understanding of the impact that the investment is having in the regions. We do not have all the data at the moment. In addition to the work that is happening in the Valleys, I know that in south-west Wales we are about to initiate an evaluation of the impact that it is having in the four counties of Carmarthenshire, Neath Port Talbot, Swansea and Pembrokeshire. We are hoping that that exercise will identify whether we are successful in what we are delivering and whether we need to do anything differently. It will also prepare us for new programmes—it is not just about convergence; it is about the whole package. We could not deliver convergence without the match funding from the Welsh Government and other sources. We need to look at every tool that is available. We are duty bound at a project level to monitor and evaluate. The challenges within WEFO are to collate all that information. There are potentially 400 major projects and all of them have to be evaluated. There will be clear messages from those evaluations, and it is a major internal exercise for WEFO to establish what those lessons are.

[110] **Christine Chapman:** You have mentioned the lack of available data. There is an issue with that. We know that the value-for-money indicators for that are very important. In your experience, how is value for money assessed if the data are not available? How do you

evaluate value for money?

[111] **Mr Davies:** At a local level, a group of local authorities come together. There needs to be an evaluation of a risk assessment of whether the project is needed within the area. So, that exercise is undertaken before we make a commitment to proceed with a project. That is at the lowest level; the same applies to other organisations. The business planning process for appraising projects within WEFO is very robust. We are challenged along the way and we sometimes end up with a dozen business plans before we get to a position in which WEFO is comfortable that we have been looking at the risks involved. So, that exercise is happening at a project level.

[112] It must also be recognised, when looking at value for money, that you sometimes need to look at where there is market failure, because you need comparisons. All the data need to be in place to do the benchmarking. So, if we are delivering something in south-west Wales, we need to know what is happening in north Wales. We need those data to benchmark, and we do not necessarily have all those data available at this point in time. A word of caution is needed as far as value for money is concerned, because you need to recognise that, sometimes, in the more peripheral areas, such as Anglesey or Pembrokeshire, where there is a high level of market failure, you need to invest more money. So, the cost per job is a lot greater than it is in Bridgend or Swansea, for example. Again, you need those data to make a decision as to whether you need to put in that extra bit of cash. The same goes for when you are looking at targeting some of the inactivity problems that we have in Wales. Some of those people, especially youngsters, who are so far removed from employment, need extra investment, whether they have any particular issue or problem. So, we know that we have to invest more time, effort and money in order to move them up the ladder to get to a position where they are available for work. So, those data are critical, but we do not necessarily have all of the data to make that comparison at the moment.

[113] **Christine Chapman:** To follow on from that, you say that local authorities would have to assess that, which is good, but there would then be inconsistencies across different local authorities. So, does WEFO have the systems in place to ensure that you are fairly consistent and that all the authorities are offering value for money, or if they were inconsistent, would WEFO be able to pick it up with its systems? Are you content that WEFO has this? I think that you said—

[114] **Mr Davies:** In terms of the monitoring systems in place at WEFO, the data are there; it is a matter of what you do with those data.

[115] **Jocelyn Davies:** To measure value for money, as you were saying earlier, you need a sophisticated look at those data, because just making a bald comparison does not give you the value for money comparison that you might expect. Chris, do you have anything else?

[116] **Christine Chapman:** No, that is fine, thank you.

[117] **Ieuan Wyn Jones:** Rydych yn dweud yn eich tystiolaeth ei bod yn annhebygol y bydd un o amcanion y Llywodraeth, sef delifro cynlluniau mwy strategol ar lawr gwlad, yn cael ei gyflawni oherwydd y system caffael. Rydych yn hynod feirniadol o'r drefn honno, gan ddweud oherwydd y system caffael, na fydd gan WEFO syniad, mewn gwirionedd, beth sy'n cael ei ddelifro lawr gwlad ac na fydd yn gallu osgoi dyblygu. Beth sydd o'i le gyda'r **Ieuan Wyn Jones:** You state in your evidence that it is unlikely that one of the Government's objectives, namely to deliver more strategic programmes at a grass-roots level, will be achieved because of the procurement system. You are extremely critical of that system, stating that because of the procurement system, WEFO will really have no idea of what is being delivered at the grass-roots level and will not be able to avoid duplication. What is wrong with the system,

system, felly?

[118] **Ms Gwilym:** Un o'r problemau mwyaf a gawsom oedd y diffyg cyfarwyddiadau clir ar ddechrau'r rhaglen—cyfeiriodd Neville at hyn gynnau—o ran beth yn union oedd angen ei gaffael. Nid oedd hynny'n glir o gwbl. Felly, ym mlynnyddoedd cyntaf y rhaglen, roedd tuedd i or-gaffael, a oedd yn golygu bod prosiectau'n cael eu cymeradwyo ond wedyn byddai'n cymryd amser hir—tua naw i 12 mis—i fynd drwy'r broses gaffael. Mewn ambell achos, nid oedd angen mynd lawr i lefel y caffael roedd rhai o'r prosiectau'n gorfod ei wneud.

[119] Mae pethau wedi gwella dros gyfnod y rhaglen. Rydym wedi cael cyfarwyddiadau mwy clir ac mae agwedd WEFO wedi newid ychydig. Mae enghreifftiau o brosiectau sy'n cael eu harwain gan y WCVA, lle mae'n gallu defnyddio grant yn lle mynd drwy'r broses gaffael. Mae'n amhosibl i WEFO reoli beth sy'n cael ei ddelifro oherwydd, wedi i brosiectau mawr cael eu cymeradwyo, mae'n amhosibl rheoli beth fydd yn dod allan o'r broses gaffael. Dyna'r pwynt roeddwn yn ceisio ei wneud o safbwynt delifro strategol.

[120] **Ieuan Wyn Jones:** A oes unrhyw wersi, felly, y dylai WEFO neu bwy bynnag eu dysgu o ran y rhaglenni nesaf?

[121] **Ms Gwilym:** Mae angen i ni edrych ar gymysgedd o fodelau delifro gwahanol. Rydym yn cydnabod bod angen defnyddio proses gaffael gyda rhai prosiectau mawr a'i bod yn ddefnyddiol gwneud hynny, ond mae hefyd angen cydnabod bod modelau delifro eraill yr hoffwn iddynt gael eu datblygu ar gyfer y rhaglenni newydd.

[122] **Ieuan Wyn Jones:** Hoffwn ofyn un cwestiwn arall. Mae'r feirniadaeth yn eich tystiolaeth o'r system o wneud ceisiadau yn eithaf deifiol. Er enghraifft, ym mharagraff 36, rydych yn nodi ei fod yn

[123] 'Biwrocraidd, beichus, cyfnewidiol a rhwystredig'.

[124] Mae hynny'n dipyn o ddweud. Rydych hefyd yn awgrymu ym mharagraff 41 mai dyna yw'r prif reswm nad yw cwmnïau yn y sector preifat am fod yn brif noddwr

therefore?

Ms Gwilym: One of the greatest problems we had was the lack of clear direction at the beginning of the programme—Neville referred to this earlier—as to exactly what needed to be procured. It was not at all clear. So, in the first years of the programme, we found a tendency to over-procure that meant that projects would be approved, but then it would take a long time—some nine to 12 months—to go through the procurement process. In some instances, there was no need to go down to the level of procurement that some projects had to.

Things have improved over the programme period. We have received clearer directions and WEFO's attitude has changed slightly. There are examples of projects that are being led by the WCVA, for which it can use grants instead of going through the procurement process. It is impossible for WEFO to control what is being delivered, because, once major projects are approved, it is impossible to control the result of the procurement process. That is the point that I was trying to make in terms of strategic provision.

Ieuan Wyn Jones: So, are there any lessons that WEFO, or whoever, should learn with regard to the next programmes?

Ms Gwilym: We need to look at a mix of different delivery models. We recognise the need to use the procurement process for some major projects and that it is useful to do so, but it is also necessary to recognise that there are other delivery models that we would like to see developed for the new programmes.

Ieuan Wyn Jones: I would like to ask one further question. Your criticism of the application system in your evidence was quite scathing. For example, in paragraph 36, you state that it is

'bureaucratic, cumbersome, complex, ever changing and frustrating'.

That says quite a lot. You also suggest in paragraph 41 that that is the main reason why companies in the private sector do not wish to be the main sponsor of a project. Have things

prosiect. A yw pethau wedi gwella o gwbl, neu a yw'r feirniadaeth honno yn dal dŵr hyd yn oed heddiw?

improved at all, or does that criticism hold water even today?

[125] **Ms Gwilym:** Mae pethau wedi gwella o ganlyniad i'r profiad o ddelifro rhaglenni dros gyfnod o bedair neu bum mlynedd. Ar ddechrau'r cyfnod, yr oedd yn hynod o rwystredig—yn arbennig o safbwynt awdurdodau lleol—wrth ddisgwyl am brosiectau mawr. Nid oeddwn yn siŵr am ein rhan ni yn y broses o ddelifro ar lefel rhanbarthol a lleol. Yr oedd yn hynod o rwystredig oherwydd roedd awdurdodau lleol wedi datblygu eu prosiectau eu hunain ond roedd y broses ar stop. Nid oeddent yn gallu parhau oherwydd roeddent yn aros i weld pa brosiectau mawr, cenedlaethol fyddai'n dod o du adrannau'r Llywodraeth. Felly, ar gyfer y rhaglenni nesaf, hoffwn weld adrannau'r Llywodraeth, er enghraifft, yn bod yn fwy clir yn gynharach yn y rhaglen o ran y math o brosiectau y byddent am eu gweld yn cael eu cymeradwyo fel y gallwn ni weld yn gynharach yn y broses lle byddai angen delifro yn rhanbarthol a lleol.

Ms Gwilym: Things have improved as a result of the experience of implementing programmes over a period of four or five years. At the beginning of the period, it was extremely frustrating—especially for local authorities—in awaiting major projects. We were not sure about our part in the implementation at a regional and local level. It was extremely frustrating because local authorities had developed their own projects but the process came to a halt. They could not continue because they were waiting to see which major national projects would be forthcoming from Government departments. So, for the next programmes, I would like to see Government departments, for example, making it known earlier in the programme which type of projects they would want to see being approved so that we can see earlier in the process where regional and local delivery will be needed.

[126] **Mr Davies:** Perhaps I could give some examples to support what Lowri has just said. I mentioned at the outset that guidance was available but that, when lawyers became involved, it tended to complicate matters. I will repeat that.

[127] **Jocelyn Davies:** Mr Davies, do local authorities have lawyers?

[128] **Mr Davies:** Yes indeed.

[129] **Jocelyn Davies:** Were they involved?

[130] **Mr Davies:** Not at that stage.

[131] **Jocelyn Davies:** Not at that stage, but did they become involved later?

[132] **Mr Davies:** The lawyers get involved at a later stage. There were lawyers at every level. Lawyers were involved at the level where the guidance had to be issued by the Welsh Government, but we also needed to bring lawyers into the process when we were looking at governance issues involving more than one local authority. Schemes such as the property development grant scheme, which we run in the south-west, took two years to be approved because of procurement issues early on. It took us another 18 months to get that money out of the door, because more lawyers became involved as we had to ensure that we had agreements—

[133] **Ieuan Wyn Jones:** The lawyers seem to be making more money than anyone here.

[134] **Mr Davies:** To give you an example, that took around 12 or 18 months to resolve, because the agreements between the Welsh Government and the local authority needed to be robust, but so did the agreements between the local authorities and the developers that were

interested in the grants. That alone cost us £30,000 in lawyers' fees, and it took time. What we are saying is that the large schemes are very complicated and involve different delivery models; we need to respect the fact that they take time to get approval and, more importantly, they take time to roll out to the people who deserve the money. It is not about projects; it is about the people. That process can take three and a half to four years before we see any benefits reaching the end beneficiary. That should be the focus of our attention.

10.30 a.m.

[135] **Ieuan Wyn Jones:** Yn fyr iawn, gan eich bod wedi mynegi eich rhwystredigaeth yn glir, a oes perygl, gan fod cymaint o oedi ar y dechrau, y bydd tipyn o ruthro tua'r diwedd i gael y pres i gyd allan cyn diwedd y rhaglenni?

Ieuan Wyn Jones: Briefly, since you have voiced your frustration clearly, is there a danger that, because there has been such a delayed start, there will be a bit of a rush towards the end to get all the money out before the programmes end?

[136] **Mr Davies:** Efallai. Ar hyn o bryd, rydym yn gyffyrddus ein bod wedi cyrraedd y targedau sydd gennym. Mae'r rhan fwyaf o'r prosiectau yn delifro. Yn bendant, ni fydd rhai o'r allbynnau yr ydym yn edrych arnynt yn cael eu delifro tan gyfnod diwethaf y rhaglen. Nid yw hynny'n ddim byd newydd. Yr unig beth a ddywedwn i yw, yn y tair blynedd gyntaf, o edrych ar y prosiectau a ariannwyd, nid wyf yn credu inni gael y gwerth gorau ohonynt yng nghyfnod cyntaf y rhaglen, am fod y broses yn gymhleth.

Mr Davies: Perhaps. Currently, we are comfortable we have reached our targets. Most of the projects are delivering. Certainly, some of the outcomes that we are looking at will not be delivered until the last phase of the programme. That is nothing new, though. What I would say is that, in the first three years, looking at the projects that were funded, I do not think we got the best value from them in the first part of the programme, because the process was complex.

[137] Rhaid cofio hefyd ein bod ni'n *risk averse* ar hyn o bryd. Os ydych yn gwneud unrhyw waith adfywio, mae elfen o risg, a rhaid inni gymryd risg. Os ydym yn ffocysu ar y rheolau a'r angen i gydymffurfio yn unig, ni fyddwn yn gwneud dim—ac nid siarad dros awdurdodau lleol yw hynny, ond pob corff sydd mas yno. Felly, mae'n rhaid cydnabod bod elfen o risg yn y pethau rydym yn eu gwneud.

You must also bear in mind that we are currently risk averse. In any regeneration work, there is an element of risk, and we have to take risks. If we focus only on the rules, compliance and so on, we will not achieve anything—and that goes not just for local authorities, but for every organisation out there. We therefore have to acknowledge the element of risk in the things that we do.

[138] **Jocelyn Davies:** I guess that if you are talking about using the procurement route, and you are talking about contracts, it brings in all this bureaucracy. Paul, do you want to go on to the issue of targeted match funding?

[139] **Paul Davies:** Yes; thanks.

[140] In your paper, you highlight a number of concerns with regard to applying for support from the Welsh Government's targeted match fund. Could you just expand on that a little, and could you also set out your concerns with regard to the operation of the targeted match fund and the delays encountered by projects accessing the fund?

[141] **Ms Gwilym:** As we said in the paper, we welcomed and supported the establishment of the fund, but not in the form in which it was created. We were involved in the initial discussions, and the starting point from our side was to develop something that would better align with the structural funds. So, having a totally separate funding pot in a different part of

the Welsh Government, with a separate application process and separate application and selection criteria, proved very challenging. Missing from that was a link and an alignment between the development of the fund and the actual structural funds. That made for quite challenging experiences for the project sponsor involved in terms of applications.

[142] With regard to the guidance given, things got worse. I think that the criteria became stricter—they came in with a five-case business model for the project sponsors to produce. Also, there was a lot of duplication in terms of the project sponsor being asked for information that had already been provided to WEFO for the structural funds element. TMF officials asked for very similar information. So, it was not how we hoped to see it set up in the first place.

[143] Things have improved over time. There are better links in the process now between officials in WEFO and TMF. So, I think that we need to learn the lessons from the experience of TMF when we start to think about the development of the new programmes. Nev may have specific examples.

[144] **Mr Davies:** As Lowri said, we certainly welcomed the TMF funding that was available to us at that time. Without it, we could not have delivered many of our schemes, particularly some of the town-centre-regeneration schemes that we have at the moment.

[145] The issue for us is that the whole process of accessing match funding needs to be simplified. It is extremely difficult to develop a complex project that may involve so many different elements. We would often have to find the match funding from different departments within the Welsh Government. It would be simpler for us to monitor effectiveness—we talked earlier about value for money—if a single source of match funding was available. So, the issue is that we need to look at how we provide match funding in future programmes. That has to be our main challenge, because we totally depend on match funding, not purely because local government is austere, but because it is tough times for everyone out there. I worry about the scale of any new programmes and whether we have sufficient match funding in place to draw down the money. So, there is a challenge within the Welsh Government to look at how it manages its funding pots that are crucial for us, and to make the process a lot simpler so that it is fully integrated and has the same timescale and rules.

[146] Town-centre regeneration is a classic case in point, because there are some things that you can do and some things that you cannot do with structural funds. If it is commercial, you cannot use them; if it is business to business, you can; if it is residential, you cannot. So, it is a challenge to put a town-centre-regeneration scheme together, and you will often have to look at the different pots of money that are available, not just from the Welsh Government but also from other sources, to complete that financial package.

[147] **Jocelyn Davies:** Are there cases where you have had to go down this bureaucratic procurement route for organisations more than once because of the time lapse?

[148] **Mr Davies:** Would you repeat that? I do not understand.

[149] **Jocelyn Davies:** In terms of the procurement route that you were concerned about and which you mentioned earlier, are there any cases where the length of time that it took to get the match funding meant that someone had to go down a procurement route again, and therefore repeat the process and the costs because of the time lapse?

[150] **Mr Davies:** I can give you an example of a scheme being delivered by the City and County of Swansea on behalf of a number of local authorities in the south-west to tackle some of the health and disability issues of young people, and trying to get them into work. That particular scheme is worth just over £50 million, and it involves different levels of

procurement. There are three different levels of tendering, and you end up having 15 or 16 different lots with different organisations delivering the schemes. That in itself is a complex system. If match funding comes with a tender opportunity, that is fine, but if it is a requirement for a third sector organisation, for example, to bring match funding with it, that is also a challenge. That could be a constraint for some organisations and may deter them from submitting tenders. However, that is another debate that needs to be had.

[151] **Jocelyn Davies:** Yes, sure. We want to come on to Julie's questions and we are running slightly over time, so I ask Members to be brief.

[152] **Ieuan Wyn Jones:** I want to explore this issue of targeted match funding, because the understanding was that the TMF pot should always be considered as last-resort funding. However, I suppose that the reality for many local authorities is that it was the funding of first resort because that was the only match funding that they could get. So, was there a mismatch between what the Government was expecting and what you found to be the reality?

[153] **Mr Davies:** Again, I can use some examples. If you are looking at investing £20 million in a town-centre-regeneration scheme, the maximum grant rate would be 40%. Therefore, you have to find £12 million. We had to demonstrate clearly to WEFO or the people responsible for the TMF fund that we had investigated every avenue and looked at our own capital programme. Local authorities' capital programmes are stressed at the moment because of problems elsewhere. So, we had to clearly demonstrate that we had looked at every avenue otherwise we would not have had the TMF. The expectations early on were that we knew the position—we knew that there was no money available, which is why we needed to have discussions with WEFO and other Welsh Government colleagues early in the process. However, the timescales for supporting and approving the schemes meant that one had to wait for the other to be approved, which often added perhaps six months or two timelines.

[154] **Julie James:** What are your reservations about the regeneration investment fund for Wales and what changes would you like to see?

[155] **Ms Gwilym:** We must recognise that the model set up for the regeneration investment fund for Wales was devised a few years ago before the current economic situation. So, it does not reflect the current market conditions in most parts of west Wales and the Valleys in particular. We would have liked a more flexible model. We feel that it is a bit too narrow in terms of the activities that you can fund, for example. The current model is not attractive for local authorities because it is cheaper for them to borrow through other avenues. The major challenge is that it is not attractive for the private sector either. So, we are a bit concerned about the progress of the fund. We raised issues two or three years ago, when the fund was developed, in terms of looking at examples of other funds across the European Union, in other nations and regions, where they had developed wider opportunities through their funding under JESSICA. Again, we need to learn the lessons from the current model and try to be more creative and innovative in terms of developing something that will work better in the next round of programmes.

[156] **Mr Davies:** We are very supportive of these financial engineering measures. Again, they are quite difficult to put together. We have learnt a great deal in this programme period that we hope will prepare us well for the future. However, we need to consider why local authorities in the main are not interested. Some of the financial directors are telling us that they could go down the prudential borrowing route, which carries less risk and is often cheaper. More importantly, we must look after the legacy of European funding because the major benefit of this is that the money is recycled and, as money gets tighter, we need that vision for future sustainability with regard to regeneration. So, it is crucial that we get it right in order to get that money back into the system to be recycled and managed here in Wales.

[157] **Julie James:** This is my last question because I know that we are out of time. You supported WEFO's case for increasing the intervention rates in 2009. How much have local-government-led projects in Wales been able to use those higher rates?

[158] **Ms Gwilym:** We do not have the exact figures with us, but we could provide that information to the committee. We worked closely with WEFO at the time to support its work and the work around negotiations with the European Commission. That has enabled a number of local-government-led projects in terms of physical regeneration and strategic infrastructure work in particular to go forward. However, we can get back to you on that in writing.

[159] **Mr Davies:** I could give you our example in Carmarthenshire, which relates to a strategic site that we are now developing in Crosshands. We have to review the capital commitment from the local authority annually. Where additional demands are being made, money is often moved around, and that puts some of the regeneration projects under real threat. So, if we were not in a position to get additional resourcing from WEFO, the reality of the situation is that we would not be able to deliver the targets that we had agreed to deliver very early on in the process. That is just good financial management.

10.45 a.m.

[160] **Jocelyn Davies:** Are there any other questions from anyone? I see that there are none. So, thank you very much. We are always short of time, but thank you for your evidence. We would be grateful to receive that extra information from you and we will send you the transcript as usual so that you can check it for accuracy.

[161] I would appreciate it if we could try to be briefer with our questions and answers, because we have the next lot of witnesses and then Mark Drakeford. It would be nice if we could have a break before Mark comes in.

10.47 a.m.

**Effeithiolrwydd y Cronfeydd Strwythurol Ewropeaidd yng Nghymru—Coleg Sir
Benfro a Choleg Morgannwg
The Effectiveness of European Structural Funding in Wales—Pembrokeshire
College and Coleg Morgannwg**

[162] **Jocelyn Davies:** Thank you for agreeing to come to give evidence to the committee. As you know, we are looking at the effectiveness of European structural funding in Wales. I am grateful that you have provided written evidence to us. If you introduce yourselves, we will then go straight into questions.

[163] **Mr Evans:** I am David Evans, finance director of Pembrokeshire College, and with me is Nicky Howells, our external funding manager.

[164] **Ms Evans:** I am Judith Evans, principal of Coleg Morgannwg in Rhondda Cynon Taf. Karen Phillips is the deputy principal and project director for our capital build that is currently happening in Nantgarw, and Jonathan Smart is sitting on the side. We are here primarily to talk about our capital build, but Jonathan has the expertise for P1 and P2 projects.

[165] **Jocelyn Davies:** Thank you and welcome to all of you. We have had your written evidence and Members will have read it. Would you add to that by briefly describing your experiences in applying for support from the current round of structural funds, and how efficient would you say the process is?

[166] **Mr Evans:** Our experiences are more ESF-based, whereas Coleg Morgannwg's experiences are ERDF-based. So, you may want to take it as a double-act.

[167] **Jocelyn Davies:** Okay, so rather than hearing from each of you, who would like to take that question on their experience of applying?

[168] **Ms Evans:** I will take that for Coleg Morgannwg. With our project, there have been some added complexities because it is multi-faceted and funded from a variety of sources. The project application was very thorough and time consuming, and the WEFO application process seemed to be out of proportion to the amount of money that we were trying to secure, compared to the applications to other funding sources. An example of this is that we made our application to WEFO in October 2009, but did not receive the signed contract until November 2010, so it was a year-long process. You may say that we had to go through a rigorous process for the amount of money that we were trying to secure, and we appreciate that, but the majority of the funding was coming from the Welsh Government and that process was less lengthy.

[169] **Jocelyn Davies:** Do you have anything to add to that?

[170] **Ms Howells:** From an ESF perspective, there are similarities. The application process is very long and detailed, and there was a lot of to-ing and fro-ing with the business plan process, which is fine if that is the business plan that you then proceed to deliver against. What we have found is that, subsequent to the projects being approved on the basis of the business plan that was submitted, changes are sometimes made. That is quite difficult when you have a definitive document that is subject to approval and which is what you will be measured against.

[171] **Jocelyn Davies:** I see. So, you would have several versions of the business plan in the initial stages and, since approval, you find any that any modification that is required is—. Is the application process off-putting? It seems, on the whole, that you really needed this money or you would not have gone ahead with it.

[172] **Ms Evans:** Absolutely. Without this support the building could not have been completed and we are very thankful for that. However, part of the purpose of this inquiry, I am sure, is to help other people with the process in the future. We experienced a change of project development managers half-way through the programme, which did not help the matter at all.

[173] **Jocelyn Davies:** Ms Phillips, would you like to add something?

[174] **Ms Phillips:** I think that our difficulty as well was that we were up against deadlines in terms of the main funding that we had from the Welsh Government. So, £27.8 million from the Department for Education and Skills and the strategic capital investment fund had to be spent within a financial year. We had to start the project without securing the WEFO funding, so we proceeded at risk, and it was a very nerve-racking time to be on site, constructing this building, without knowing that we had the WEFO funding in place. However, the time when WEFO was considering the application was the year in which we had to spend £12 million of strategic capital investment funding or lose it.

[175] **Jocelyn Davies:** Chris, you wanted to come in on this.

[176] **Christine Chapman:** Just to add to that, it is a complex issue, but do you feel that there could have been easier ways to go about this, bearing in mind that we are talking about public funds, and there are accountability and European rules to consider? Do you think there is an easier way of doing it or is it just something that you have to live with?

[177] **Ms Phillips:** I think that it could have been better joined up, because our experience with the other funding was very different. So, we have had somebody from the capital funding section sitting on our project board, working with us so that we could draw down funding when the project was spending. It would have been very helpful to have perhaps had all the funders coming together with us, at the outset, to talk about how the funding could be drawn down. The WEFO funding sat to one side while we were getting on with the project.

[178] **Jocelyn Davies:** In terms of the outputs that you have achieved, what progress are you making towards those?

[179] **Ms Evans:** Among the criteria for the capital build was that we had to create SMEs—originally three, but that has now increased to four. We have already gone out to tender and are in the process of appointing three companies to start or continue their businesses. The number of jobs accommodated is 200, and that is on course. We have no concerns about that. Those are not new jobs, in the main: they are moving from one campus to another. With regard to the land development, the size of the land was included in the criteria, as was the size of the premises, and that has all been achieved. The next stage, of course, is ensuring that the build accommodates the number of students that we stated. We are on track to do that. We are experiencing an increase in demand for the new build, as we expected.

[180] **Ms Howells:** From an ESF point of view it is straightforward. We report quarterly to WEFO and we include details of progress on our targets as we are going along. So, that is quite straightforward. To pick up on an earlier point, it is right that the application process should be rigorous. If there are difficulties, they come once the approval has been gained and it is the same thing with the business plan. We are able to work to that business plan, and we have very robust procedures in place and yet, it seems that we continually have to keep justifying what we are doing. There is a lot of dialogue back and forth constantly to WEFO and you just have to keep revisiting things. The quarterly reporting mechanism should be sufficient, and is sufficient, in fact. We have to justify variances, and yet it seems as though we have to keep going back and revisiting the business plan and so on. That makes the process more onerous. It is post approval that it becomes more difficult.

[181] **Jocelyn Davies:** Thanks for that clarification.

[182] **Mr Evans:** The regionalisation of the projects—and I understand that this has been done to make them more strategic—also has a knock-on effect when you are lower down the chain, because you are always answerable to somebody else. WEFO will ask something of the main project sponsor, and it will come down and impose something on you. So, with the regional project, the Engage project, run by Neath, people are always having to run together and come back. We run a team of five, I think, in our European section just constantly monitoring projects.

[183] **Mr Howells:** There are six now.

[184] **Mr Evans:** Yes, there are six people just constantly monitoring projects.

[185] **Jocelyn Davies:** Any lawyers? [*Laughter.*]

[186] **Mike Hedges:** For the record, I used to do work in Coleg Morgannwg until last year. Your project has been subject to re-evaluation midway through the construction phase. Could you outline what is involved in the re-evaluation process?

[187] **Ms Phillips:** This has something to do with the change of the project development officer. We were advised by our original project development officer to do a gap analysis,

because the VAT increase to 20% had added an extra £690,000 to the cost of our project. Therefore, he suggested we put a case together showing where the gap was as a result of that increase. We were in the process of doing that when our project development officer changed. Our new project development officer identified that, if we were given additional funding, it might take us near the major project threshold, which would make the whole project ineligible for WEFO funding. That was obviously very worrying for us, because we had been on site for a year at this point and the building was up. We were then put into a re-evaluation. In the end, because of the passage of time for the re-evaluation, we had to manage the VAT increase through value engineering, because I needed to cut costs when we were building the building. The re-evaluation was made active yesterday, and the last funding that we received was in May 2011. Our funding has been on hold since then—

[188] **Ms Evans:** It is £1 million.

[189] **Ms Phillips:** The re-evaluation involved revisiting everything, so we had to do a new business plan, update everything and do a new monitoring and evaluation plan. All of the documentation that had been done originally needed to be done again, and then there were the various challenges with regard to whether we had staff who were experienced enough to manage the project, from the build and management of the capital build itself to the financial monitoring. It has been quite an onerous task and we have had to submit a significant amount of documentation in order to get to this point.

[190] **Jocelyn Davies:** Ms Phillips, I think you are being very polite. [*Laughter.*]

[191] **Ms Phillips:** We were in the fortunate position where the main Welsh Government funding was re-profiled by the capital funding, and it gave us the funding earlier than it had intended. That helped. We also brought forward our bank loan by four months in order to cash-flow the project. Obviously, when you have a project on site, you have to keep going. Otherwise, it costs you more money. So, to have the funding switched off was very difficult.

[192] **Ms Evans:** Had we been a smaller company, it would have caused us serious problems.

[193] **Ieuan Wyn Jones:** Hoffwn ofyn cwestiwn i Goleg Sir Benfro yn benodol ynghylch pa effaith mae'r broses gaffael er mwyn cyflawni prosiectau wedi ei chael ar weithredu eich prosiectau o dan ESF. **Ieuan Wyn Jones:** I would like to ask a question to Pembrokeshire College in particular about the impact that the use of the procurement process for project delivery has had on the implementation of your project under ESF.

[194] **Ms Howells:** That has varied. In some instances, if I am absolutely honest, it has resulted in our paying slightly more for services following the procurement exercise than we did previously. That was for a service provider. In other instances, it has been made more complicated by the fact that, post approval, we were asked by WEFO to procure for activities that we had not identified as being eligible for procurement within the business plan. That brought us into a whole new field of procuring with match funding, which is not something of which we had experience. However, in order to avoid a match-funding gap in the project finances, we had to do it. So, in principle, it is good, and I can understand the idea of procurement and so on. The process can be complex and difficult. I guess that, overall, it will provide value for money, but it would not always do so in a specific procurement exercise.

11.00 a.m.

[195] **Ieuan Wyn Jones:** A fyddech yn meddwl, felly, bod gwersi i'w dysgu o'r **Ieuan Wyn Jones:** Do you think, therefore, that there would be lessons to be learnt from

broses rydych wedi mynd drwyddi ar gyfer rhaglenni'r dyfodol? the process that you had to go through for future programmes?

[196] **Ms Howells:** Yes, definitely.

[197] **Ieuan Wyn Jones:** Beth yw'r gwersi hynny? **Ieuan Wyn Jones:** What are those lessons?

[198] **Mr Evans:** It is important that we recognise that we are public bodies and that there is a need for procurement within the FE sector. We have embraced that fully for the last 10 or 12 years and we are very active in all the procurement circles.

[199] There were different thresholds: we had our threshold as a small £20 million college, which may be different from that of a £40 million college. We all had to standardise to European rates. So, suddenly, we all had to run around and change our financial regulations for procurement, which proved quite difficult for the business directors—it just seemed to them like another burden that the finance department was introducing and that we were changing the goal posts, but we were not. We have been fortunate in getting the WEFO money, and we must abide by its rules. However, it always seems tricky to the individuals on the ground.

[200] **Ms Howells:** It also adds to the administrative burden. We are back to the issue of a project being approved on the basis of the business plan, where you identify, according to the guidance at the time, what you are going to do. So that is in line with WEFO guidance, and then, subsequently, some 12 months into the project, WEFO says, 'We know that is the guidance, but we now want you to this'. There are big implications with regard to resources.

[201] **Ieuan Wyn Jones:** Are you saying that, when the project was approved, WEFO had agreed that you did not need to procure, but it then changed its mind?

[202] **Ms Howells:** Yes.

[203] **Mr Evans:** There are two strands to this project. A part of it was bespoke provision, which we knew, because it was industry led, that we did not do it and it was not funded by the Welsh Government under our normal funding units. There were other units that would be called our normal education, and it was agreed that those could be used as match funding.

[204] **Ms Howells:** It is an extension of our core activity.

[205] **Mr Evans:** Exactly, but that all subsequently changed.

[206] **Ms Howells:** It was not something that we were expecting.

[207] **Mr Evans:** It has proved very difficult.

[208] **Peter Black:** Will both colleges set out the approach that you take to monitoring and evaluating your projects?

[209] **Ms Howells:** Internally, we manage the projects monthly. We have monthly meetings and we have project plans, charts and so on. That is internally. From a WEFO perspective, we report quarterly, so we must enter all the data that goes to WEFO. We have our own monitoring and evaluation plan for the project. In addition, certainly for the energy project that we are sponsoring, there will also be an external evaluation because it is in excess of £2 million, and so that is a requirement. So, it happens on a number of levels.

[210] **Ms Phillips:** With regard to ERDF, the monitoring and evaluation is simpler. Were it not for the re-evaluation, which has generated a lot of extra work, the monitoring process would have been fairly simple, because you are building a building, you estimate that it will cost x pounds, and you report on any changes. The ERDF monitoring and evaluation, without the re-evaluation exercise, would have been fairly straightforward for us.

[211] **Peter Black:** Pembrokeshire College suggests in its paper that there is:

[212] 'Limited scope for the monitoring of strategic delivery and the scope of each project in the context of the overall programme'.

[213] Could you elaborate on that?

[214] **Ms Howells:** It is because we tend only to see the data for our college, our project and what is happening there. We do not necessarily get the data as to what is happening in a broader context. We feed in to WEFO, but we are not necessarily able to get the data—and that is unfortunate, in a way, because they can inform other things that may need to happen in order to achieve value for money and meet the programme objectives.

[215] **Paul Davies:** This is a question for Coleg Morgannwg. You mention in your written evidence that the monitoring process in the current round of structural funds seems excessive compared with other funding streams. How significant are the monitoring costs for your project?

[216] **Ms Phillips:** We probably have at least one full-time person working on that, plus someone on secondment one day a week from Rhondda Cynon Taf County Borough Council, who is looking at the WEFO project. By comparison, the work for our main funding is absorbed within our finance team, because once the system is set up, it is just a matter of completing cash flows and drawing down the funding. It is a much simpler process. With WEFO, you have to go online, do the reprofile—it is quite complex. It splits the funding into a number of different headings, and you must not vire the funding by more than 15% within those headings, which is very difficult with a capital build. With Welsh Government funding, it is much simpler: here is your funding, here is your project, you report your cash flows and draw down the funding.

[217] **Ms Evans:** I would add that the WEFO money is only 17% of the total.

[218] **Mr Evans:** From an ESF point of view, the expenditure has to be defrayed, and that is also quite difficult. When you are coming to the end of a project, tax is not paid until 20 days after the end of the month, but if you want to claim within the month, you have to show an auditor that the money has left your bank account. Those are the sort of things that the auditors want to see. It is quite cumbersome to make sure that everything is dotted and crossed.

[219] **Ms Evans:** Could I add to that? As a public-funded body, we are audited a lot during the year. As part of this project, we were audited internally and had full assurance, and we were also audited by WEFO and had full assurance. However, there were still lots of questions from the WEFO project, which did not believe that we were satisfying its requirements.

[220] **Christine Chapman:** I just wanted to pursue the issue of value for money. In your written evidence, you say that the projects in which you are involved are all delivering value for money, but I wonder if you could set out the approach that you take, or the systems that you have in place, to assess that?

[221] **Ms Evans:** Obviously, we follow Value Wales procurement systems and we have to fall in line with WEFO's own procurement systems as well. We have monthly project board meetings, at which all of these processes and procedures are reviewed. There are also benchmarks that we can use internally to make sure that we are providing value for money against similar projects across Wales.

[222] **Ms Howells:** From an ESF perspective, we operate in a local context. Our priority 1 project has focused specifically on foundation and level 1 students and we are looking at improving retention and attainment—not just making sure that they complete their course, but that they actually attain something and have opportunities for progression. We focus on that. With regard to the priority 3 project, to assess value for money we would look at whether we are delivering what the employer is asking for, because it is an employer-led project. We would look at the numbers, what is being delivered, whether there is progression for those people, and look at it from that point of view. From the college's perspective, value for money would be seen in a different context again. Originally, when the project was set up, it was to be an extension of our core activity, so from the college's point of view, we agreed to sponsor the project at the request of the employers on the basis that there would be the opportunity for the college to do that. That is slightly different, because we have subsequently found that that is limited. So, we do not have that aspect of value for money from the college's perspective.

[223] **Christine Chapman:** Coleg Morgannwg, in your paper you say, in relation to the Taff-Ely learning campus, that

[224] 'value for money has been evidenced by WEFO'.

[225] Could you explain what you mean by that?

[226] **Ms Phillips:** Our project management team regularly audits the sub-contractor appointments within the construction contract to test whether they have been market-tested—to check that there have been three quotes and that we are getting value for money. That is one aspect. We also have Richard Baker, from Value Wales, who is acting on behalf of WEFO, looking at all of our procurement reports. So, every time we let a contract, there is a procurement report demonstrating how we did it, who was involved and how the decisions were made. That is validated by Richard Baker and Value Wales to prove value for money. In the college, we have been fortunate; because there is not a lot of capital build going on, we have probably benefited from much lower sub-contracting prices. In some instances, we have ended up with better quality in the building because the prices are depressed.

[227] **Julie Morgan:** I want to ask about sustainability. How did you manage to demonstrate sustainability in the application process?

[228] **Ms Evans:** I suppose that capital builds are different to revenue projects, in that we have a building that is going to be there for, hopefully, 30 or 40 years. As part of that, we had to show how we were going to maintain it, and the efficiency savings that we were going to make by disposing of a 50-year-old building in Rhydyfelin and moving into a new building. We also had to prove, through a variety of sources, sustainability with new technologies and a reduction in revenue costs every year.

[229] **Jocelyn Davies:** To what standard is the building being built?

[230] **Ms Phillips:** It is built to BREEAM excellent standard. We were looking at outstanding, but realised that that was a little ambitious. It is built to BREEAM excellent standard. We are a Constructing Excellence Wales demonstration project. Sustainability is one of our strands—corporate and social responsibility being the other strand. We have

things like rainwater harvesting, a green roof and photovoltaic cells. The building has been designed to draw natural light, so there is natural light and ventilation. We have used the latest technologies that we are able to use in that location. We were going to have a small wind turbine, but we are in the basin of the valley, so there is no wind. It is a truly green building.

[231] **Julie Morgan:** It sounds wonderful. Do you have any views on—[*Inaudible.*]

[232] **Ms Howells:** We had projects under Objective 1 that focused on retention for our students. As a college, we carried forward some of the actions of those projects and some of the project-funded work; we took the view that it was important to keep that focus. We would look to do that again. Honestly, we would not be able to sustain all of the level of support, for instance, under the priority 1 project. It will be dependent on what we get in terms of core funding and how we can make that work.

[233] With regard to the priority 3 project, there is a strong focus on developing employer recognition in making a contribution towards the cost of training. In the past, in many instances, employers have wanted training free of charge. What we are doing is changing that culture and using the ESF to facilitate that. We would hope that, given continued employer contribution and some use of core funding, we will be able to maintain our employer-engagement levels and that commitment to funding from the point of view of employers.

[234] **Julie Morgan:** Coleg Morgannwg, in your paper, you suggest that there should be more focus on exit strategies. I wonder whether you could outline your concerns.

[235] **Ms Phillips:** I think that that is more about ESF projects than ERDF projects. In some ways, ERDF is perfect funding, because the legacy is the building that is left behind. As you suggest, one of the problems with ESF is that employers rely on free training, and they do not want to pay for it. So, we have a real job in trying to get some employers to pay for any training, which can sometimes make it difficult. That is what we meant.

11.15 a.m.

[236] **Mike Hedges:** There is something about ESF that I have never quite understood—I am sure that Karen and Judith can explain it to me. The old Pontypridd College did more ESF work when we were an Objective 2 area than it does now that we are a convergence area, which seems to be a removal from ESF. It is not just Coleg Morgannwg—Swansea College has also done this, as have many other colleges. I have never quite understood how, when we are in a position of receiving convergence funding or Objective 1 funding that would increase the amount of training, we end up with a reduction on what we had in Objective 2.

[237] **Ms Evans:** Several years ago, the corporation took a view that we were too heavily reliant on ESF funding. The amount of basic skills support that we have to deliver across Rhondda Cynon Taf as a priority is huge, and it is very expensive. At one time, we were reliant on ESF funding to the tune of £7 million or £8 million in revenue every year, which was a substantial amount of money and a huge risk to the organisation. So, we made a decision to have an exit strategy to stop that reliance. We still apply for that funding, and we are part of two projects at the moment—one with Torfaen County Borough Council and the other with Rhondda Cynon Taf County Borough Council—because we still have a great need. However, we must ensure—it comes back to sustainability—that the college can still function once that money is withdrawn and we must not be over-reliant on it, year in, year out.

[238] **Ms Phillips:** There is also an element in relation to match funding. Education funding, in real terms, has been reducing slightly, but you still have to deliver your core business, which does not qualify for ESF funding. You cannot take too much out of your core

funding to match with ESF, or you will not be doing the college's core business. So, there is also that element.

[239] **Mr Evans:** I would concur with that. We have had a period of steady growth since the early 1990s, but we have recently been capped. Year on year, as you did more ESF work, it brought additionality that was rolled into future credits and, therefore, Welsh Government funding. Now that we are capped, we struggle with the match funding element. Back in 2006, at the end of Objective 1, we carried on some programmes to try to keep sustainability with low level students. It resulted in a deficit to the college, because of the interim period between Objective 1 finishing and convergence starting. We then had to reduce our workforce. It is something that is highlighted every year by audit to our governing body—'Beware that you have this transient fund of money, and this cohort of staff that is reliant on it; make sure that you are able to demount that cost if the income disappears'.

[240] **Jocelyn Davies:** Mike, you managed to mention Swansea, so there you are. *[Laughter.]*

[241] **Ms Howells:** Swansea College has just had a big project approved.

[242] **Mike Hedges:** I understand now why it is not so dependent on standard ESF funding.

[243] **Jocelyn Davies:** You have provided with us evidence and satisfied his curiosity. *[Laughter.]* Thank you for the useful evidence that you have given us. We will send you a transcript of this session to check for factual accuracy.

[244] Members, we will now break for 10 minutes.

*Gohiriwyd y cyfarfod rhwng 11.18 a.m. a 11.27 a.m.
The meeting adjourned between 11.18 a.m. and 11.27 a.m.*

**Effeithiolrwydd y Cronfeydd Strwythurol Ewropeaidd yng Nghymru—Pwyllgor
Monitro'r Rhaglen
The Effectiveness of European Structural Funding in Wales—Programme
Monitoring Committee**

[245] **Jocelyn Davies:** I am pleased to welcome Mark Drakeford as the chair of the programme monitoring committee. I am grateful that he has been able to attend today to assist us with our inquiry. To begin with, Mark, would you mind saying a few words about the role of the monitoring committee?

[246] **Mark Drakeford:** A programme monitoring committee is a required part of the European funding landscape in Wales. It is not something that the Welsh Government chooses to establish; it is required to establish it by the Commission. It is paralleled across Europe where there are funds of this sort to be found. Part of its make-up and its remit are established in advance. It is meant to be made up of the Government on the one hand and its major social partners in delivering European programmes on the other. The PMC is quite a large gathering; it is not an intimate body by any means. The first time that I chaired it I had difficulty seeing people's names because of the distance they were sitting from me, around the table in Merthyr. Business has the largest representation on it with people from umbrella organisations and individuals who have run successful businesses across Wales. It also includes local government, the trade unions, the third sector, and higher education. All the partners that you would expect to see there are represented at a pretty senior level.

[247] The role of the PMC tends to change over time—as I understand it from my new

experience of it. When the current programme was being established, and in its early days, it met at least four times a year. As the programme has got into its stride, the role of the PMC has been more one of ensuring that things are on track. We now meet three times a year. As we move towards the next programme that may change again.

11.30 a.m.

[248] We always have representatives from Brussels at the meeting with us and they always take an active part in the discussions. The papers for a PMC are delivered to you in a substantial bundle. There is a great deal of very detailed information about how individual strands in the programmes are working out. Most of the meetings, which last half a day each time, are spent on that detailed monitoring work.

[249] At every meeting, we try to have at least one agenda item on a slightly wider topic of interest. We have been looking at JEREMIE and JESSICA funding over the past couple of meetings. At our next meeting, we will look at the first major evaluations of the first programme—the original Objective 1. I know this seems a long way on from there, but all the advice that we have received is that if you want to take a sensible look at the impact of European funding, you have to wait a while to see what it has achieved. There has been quite a major evaluation exercise that we will look at our next meeting.

[250] On one hand, members of the committee are very keen to learn the lessons from the past. On the other hand, the current Minister, Mrs Hart, has made it clear that she is keen that, in the remaining part of this programme, the present PMC contributes its experience and understanding to the formation of the next programme. So, we are moving a little bit into that next phase of our work.

[251] **Jocelyn Davies:** You mentioned the wad of paperwork that you all get before the meetings. Who prepares that? Where does it come from? Are they briefing documents? Is it advice?

[252] **Mark Drakeford:** The detailed documents are all prepared by the Welsh European Funding Office and there are always senior staff who head up the main ESF and ERDF programmes in the convergence and competitiveness areas at the meeting. They tend to introduce the topics and then take questions from committee members on the information they have provided.

[253] **Julie Morgan:** You talked about this vast room that you could hardly see the end of. How many people are involved? Do you feel that all those who should be represented are there?

[254] **Mark Drakeford:** Remembering that there are quite a lot of officials to help the committee and so on, I would say that there are anything up to around 40 people around the table at any one time. About 25 to 30 of those people are actual members of the PMC. It seems to me that there is a real tension between wanting to ensure that you capture all those sectors that want to contribute—there is a regular stream of letters from people asking, ‘Wouldn’t it be good if we could have a place at the PMC too?’, and you want to be inclusive in that way—and the fact that, when you have that many people around the table, as an individual member of the PMC, you talk once on an agenda item and you know that you will be very lucky to have a chance to say anything else. So, conversations are not what you would call free-flowing around the table. It is too big for that. That is a tension that you try to manage from the chair a bit.

[255] **Julie Morgan:** Do you have any sub-committees?

[256] **Mark Drakeford:** In the past, there have been, but we do not have any at the moment.

[257] **Paul Davies:** On that issue, because of the vast membership of the committee, do you feel that you are effective and efficient in the work that you do?

[258] **Mark Drakeford:** I will partly answer that by telling you a bit of the history of it. What I am told by people who have been there longer than I have—and there are people who have been there right through Objective 1 and Objective 2 monitoring committees—is that there have been periods in the time of the PMC when, although ‘fractious’ is probably the wrong word, there has been quite a lot of disquiet about some of the ways in which things were happening and quite a lot of debate at PMC meetings about whether it was getting the right sort of information and whether what it got was reliable and so on. In the past two or three years—and this is partly to do with Jeff Cuthbert, who was chairing it then, and partly to do with the people who staff WEFO at the moment—there has been quite a high degree of confidence between the membership of the PMC and the officers who provide the information. As people feel that what they are being told is generally reliable on a factual level, people are more able to concentrate on questions about efficiency, effectiveness and the bigger operation of the programme. I do not think that I am being unfair if I say that if you had put that question to the PMC membership as a whole, they would probably feel reasonably satisfied with the way in which the PMC is currently able to discharge its remit, but it has not always been quite as plain sailing as that.

[259] **Jocelyn Davies:** I doubt that these people would give up half a day to it if they thought they were wasting their time completely. You would not have 40 people turning up, would you?

[260] **Mark Drakeford:** As I say, they are all people who are very senior in the organisations that they represent, so they are all people whose diaries will be under big time pressure. That is exactly right, and it is also true of the people who come from Brussels; they come regularly and they would not come if they did not feel that the PMC was a working body where they get information that they can take back directly to the directorates-general and so on that are responsible for the programmes.

[261] **Jocelyn Davies:** So, there is a requirement from the Commission, as you say, to have this body, but there is no obligation on any individual, except you as chair, to participate.

[262] **Mark Drakeford:** No.

[263] **Jocelyn Davies:** Peter, you wanted to come in, and then you, Chris.

[264] **Peter Black:** I am trying to imagine how a committee of that size can be an effective scrutiny body—monitoring and scrutiny are much the same thing. I am also interested in how the findings of that committee on a particular subject—and I guess that you might have quite a diversity of views sometimes—is fed back to WEFO and the Welsh Government, and how you influence and change things as a response to that.

[265] **Mark Drakeford:** I will take the second part of that question first, because that is part of my job, which is to be a hinge between the committee and the Government in particular. WEFO is there at the table and it hears people’s views directly, so it goes away very well apprised of what has been said. My job is to ensure that what the PMC debates gets heard by Government and that is genuinely important to people around the table. They would not turn up and have the discussions if they did not feel that it had a chance of making a difference somewhere.

[266] At our December meeting, the Deputy Minister attended and we had an hour of the agenda for Members to be able to ask him any questions that they liked. That was very valuable and people appreciated that. However, other than that, there is a mechanism: I write to the Deputy Minister immediately after every PMC with an account of the main issues that were raised, particularly on anything that is critical or that people feel needs attention. I follow that up with a meeting that I have with him, normally a few weeks later, when he has had a chance to think about the points that have been raised and I then report back to the next PMC on that correspondence and meeting. So, I try to create a circle in which people know that what they are saying has a chance of making a difference.

[267] In terms of the formalities of things, the PMC has only two decision-making functions. Most of what it does is to advise. It has two things in which it has an independent remit of its own: one is that it has to make an annual report to the Commission on the way in which programmes are functioning in Wales. The PMC has to consider that annual report, it gets to take amendments to it and it has to formally vote on whether the report is acceptable to the PMC or not. We did that back in June. If there are any amendments to the programme, particularly if we want to change targets, numbers and so on, then it is the PMC that has to agree to that. It does it on advice from Government and from WEFO, and I suppose that we are advising the Commission because, in the end, it is the Commission that finally signs off any changes to the programme. There were some quite substantial programme changes agreed to the ESF programme at our December meeting, and I can tell you a bit more about what those were if you are interested in that.

[268] **Jocelyn Davies:** We will just have a question from Chris and then we will go into that, although Mike wanted to come in as well. So, we will have the questions from Members, and that information would be very useful.

[269] **Christine Chapman:** As you know, Mark, I chaired the PMC for four years in the very early days, so it is interesting to hear how things have moved on. I just wanted to ask you about the sense of ownership you feel that the members have. As other Members have said, it has a huge membership and I know that there are very strict rules and protocols about vested interests and declarations of interest—obviously, you are not allowed to look at individual projects. How much do you think there is a sense of ownership among the members that, at the end of the day, their influence counts and that it is not just an exercise to be seen in the right place, but that the success or otherwise of the programme is down to them as well, not just the Government? They obviously have a monitoring and evaluation role.

[270] **Mark Drakeford:** My experience of it so far is that people do feel a sense of ownership. As the Chair said, they would not keep turning up for meeting after meeting if they did not. I also chair the future programmes forum, which is the body that the Government set up to get advice from social partners on the next round, and there is quite an overlap between the two as you would expect. Again, people turn up there and give their time and views. I notice that there are events during the year and there is always an annual showcase event when people involved in specific projects come together and tell each other about the work that they are doing. Again, PMC members turn up there just to show their interest and support for it all. There is a tension for any member of the PMC—but on the whole, people are used to managing it—which is that they come representing a sector and yet they are a member of the PMC, which has a wider responsibility than just sectoral interest. By and large, people tend to make their contribution from the sector they represent. So, if someone is there from the Federation of Small Businesses, the contributions often reflect what you would expect its members to be thinking about. However, in the end, they know that they have to slightly set that to one side when they come to make decisions that the PMC as a whole has to make.

[271] **Christine Chapman:** May I ask a supplementary question? Do you feel that we are

moving beyond the usual suspects? I know that in the early days of the programme, when Val Feld was here in the first Assembly, there was a lot of discussion on whether there should be a more gender-balanced arrangement. I know that Brussels was keen on this and that we achieved it to a certain extent, but obviously things have changed. So, do you feel that the membership of the PMC truly represents wider Wales?

[272] **Mark Drakeford:** The membership is a set of compromises, as these things always are. For example, you want people who represent different geographical parts of Wales, particularly as programmes have a geographical component. We only meet in south Wales, so you know that people from north Wales and west Wales are always having to make the extra effort to get to the meetings and so on. However, we have a decent gender balance. We also have a reasonable balance in terms of geographical spread. Do we go beyond the usual suspects? I do not want to use that term pejoratively because these are very often senior figures in their fields, which means that there is a certain self-limitation on who is likely to turn up. However, on the whole, they are people you might expect to be there. You would not often be surprised at the people who tend to be at the table.

[273] **Jocelyn Davies:** Are people appointed to the committee or do you ask an organisation, for example, the Welsh Local Government Association, to send someone so that it chooses its representative?

[274] **Mark Drakeford:** I hope that I am remembering this correctly, but it is a mixture of the two. There are public appointments, so there are people who can answer an advertisement, put their names forward and go through the normal public appointments process. So, a certain proportion of members is appointed that way. Others are nominated by representative bodies like the WLGA, the Trades Union Congress and the Confederation of British Industry. They are all there.

[275] **Jocelyn Davies:** Thank you. Mike, did you want to ask a question?

[276] **Mike Hedges:** Continuing with that theme, how satisfied are you that the overall objectives of the programmes are being met and, more specifically, that the overall objective of increasing gross domestic product is being met?

[277] **Mark Drakeford:** I will explain how the PMC tends to monitor things. There are so many figures that I could offer you, but I will try not to do that and instead offer you the big themes that we look at. For example, we look at expenditure because we are obliged to do so by the commission. We are obliged to look at end-of-year expenditure in every year to see whether or not we have met what are called, the N+2 targets. We have met those in each of the past three years. So, that is something that we have to take a special interest in.

11.45 a.m.

[278] We also have to look at commitment because we are charged with ensuring that maximum use is made of the European funding that is available to Wales. So we try to ensure that we look, each time, at how much money is likely to be spent. Those figures are broadly encouraging—90% of ESF expenditure in west Wales and the Valleys is already committed; 98% is committed in east Wales, which is the competitiveness area; and 75% of ERDF is committed. ERDF tends to be more lumpy expenditure, because it tends to be capital expenditure. There are two major capital programmes. If you have a major capital programme, you must notify the Commission in advance and have certain agreements. There are two due this year: one for new-generation broadband and one for the extra dualling of the A465. The advice that we had—and members of the PMC appeared to be satisfied with it—was that, provided that those two major programmes are approved in this year, we are also on track for commitment in the ERDF programme.

[279] The third issue that we look at is participation levels. We look to see that we are hitting the numbers that we want to hit in terms of the people who are being helped by the different programmes, especially the ESF programme. That is how the amendment to the programme came about at our last meeting, because we are expecting to exceed all three targets in the ESF programme sometime this year, so we wanted to amend the targets so that we would stretch the programme further.

[280] **Jocelyn Davies:** Do Members have further questions?

[281] **Ieuan Wyn Jones:** Yr oeddech yn dweud beth oedd eich cyfrifoldebau. Rwy'n cymryd mai rhan o'r cyfrifoldeb oedd cytuno ar y rhaglenni gweithredol ar y dechrau.

Ieuan Wyn Jones: You said what your responsibilities were. I assume that part of that responsibility was to agree the operational programme at the outset.

[282] **Mark Drakeford:** Ie.

Mark Drakeford: Yes.

[283] **Ieuan Wyn Jones:** Un sylw a gaiff ei gyflwyno inni yma yw y bydd hi'n anoddach, o bosibl, o hyn i ddiwedd y rhaglen, ac yn sicr gyda rhaglenni newydd, i rai o'r cyrff gael arian cyfatebol ar gyfer eu cynlluniau. Un peth y mae modd i'ch pwyllgor chi ei wneud yw edrych ar lefel yr ymyriadau ar gyfer rhaglenni. A ydych wedi bod yn ystyried hynny? Mae wedi digwydd unwaith yn barod, pan oedd Jeff Cuthbert yn gadeirydd. A ydych yn rhagweld y bydd yn rhaid ichi edrych ar hynny eto cyn diwedd y rhaglenni presennol, neu ai rhywbeth ar gyfer rhaglenni newydd ar ôl 2014 fydd hynny?

Ieuan Wyn Jones: One comment that we have heard here is that it could be more difficult from now until the end of the programme, and certainly with new programmes, for some bodies to receive match funding for their plans. One thing that your committee could do is to look at the level of interventions for programmes. Have you considered that? It has already happened once, when Jeff Cuthbert was chair. Do you foresee that you will have to look at that again before the end of the current programmes, or will that be something for the new programmes after 2014?

[284] **Mark Drakeford:** Rwy'n credu ein bod ni am wneud hynny ddwywaith. Byddwn yn ei wneud unwaith eto o dan y rhaglen bresennol. Fel y dywedais, mae'r Gweinidog, Edwina Hart, wedi dweud wrthyf fel y cadeirydd, ac wrth aelodau eraill y pwyllgor, ei bod am inni ystyried y rhaglen newydd ac i feddwl am y gwersi y gallem eu dysgu o'r hyn rydym eisoes wedi'i wneud a'r hyn y gallem ei fwydo i mewn i waith cynllunio'r Llywodraeth ar gyfer y rhaglen newydd. Rwy'n siŵr y byddwn yn dychwelyd at y pwnc hwnnw, gan ystyried y profiad sydd gennym yn awr yn ogystal â'r gwersi y gallwn eu dysgu at y dyfodol.

Mark Drakeford: I believe that we will do it twice. We will do it once again under the current programme. As I said, the Minister, Edwina Hart, has told me as chair, and to other members of the committee, that she wants us to consider the new programme and think about the lessons we could learn from what we have already done and what we could feed into the Government's planning for the new programme. I am sure that we will return to that issue and to consider the current experience as well as the lessons that we can learn for the future.

[285] **Jocelyn Davies:** Earlier, we took evidence from WLGA representatives. They mentioned the JESSICA fund, and you have also mentioned it. They are not entirely happy. I took particular interest because I was the Deputy Minister who finally signed off the setting up of the JESSICA fund and appointed the fund manager. They said that it did not reflect market conditions, it was too narrow and it was not attractive to local authorities. So, WLGA representatives came here to tell us that, and they would probably express these views at your committee, and others may do so as well, so you would then possibly raise that in another

forum where changes could be made. Is that right?

[286] **Mark Drakeford:** Yes, exactly. We had a specific session with the people charged with the practical implementation of the JESSICA programme. As you know, it is a £15 million urban development programme for Wales. It is unique in the funds that we look at, in that £14.6 million of it can be spent outside the normal European areas. So, it allows you to spend money in Cardiff and Wrexham, for example. There was a lot of interest around the table. I felt that it was a fairly tough questioning session because, although the fund, to be fair, has only been properly open since the spring of last year, and there was convincing enough information from those running it that there is a strong pipeline, with at least eight projects well down that pipeline, with more projects behind them, and that if everything works out the way they want, they will already be committed past £15 million. No project is yet to emerge at the end of the pipeline with the money for the purposes that they hope to use it. There was frustration at the PMC, as I know there is frustration beyond, at the time it is taking.

[287] The answer from those who are involved in the practical side was that this is all being watched carefully not just in Wales, but beyond. The next round of European funding contains some strong paragraphs from the Commission saying that it wants to use these financial engineering instruments to a greater extent. Therefore, it is better to ensure that we get it right than we get it quickly, but they were nevertheless confident that the eight projects they think are closest to being funded will start to come out of the pipeline in a practical way early this year. So, we said to them that we will want to return to this and keep an eye on it. There is a slight sense of the jury being out on it, but also of being reassured by the level of detailed information they were able to provide and their assurances about the robustness of their process and its likely results in this year.

[288] **Jocelyn Davies:** It was cited today by the Commission as being a good example of interaction with the private sector with, of course, ability to revolve the funds.

[289] **Mark Drakeford:** That is a really important part of the legacy.

[290] **Christine Chapman:** We took some very good evidence from the voluntary sector a few weeks ago, and we had a very good paper from Valleys Kids—I know that you are familiar with the project. Basically, it did a comparison between Objective 1 and the current programmes, and there were clear differences. We know that there was a clear change with this round of programmes. Have you had a chance to look at that and will you look at it in this forum, because there are lessons to be learned? I remember, in the early days, Professor Kevin Morgan, I think, saying that if the structural funds did not engage wider civil society, there would be a problem with their success. It is a balance, is it not? Have you had an opportunity to look at that paper? I thought that it was clear in some of the criticisms of the current projects and the lessons that we need to learn about engagement at a community level.

[291] **Mark Drakeford:** I have not had a chance to see the Valleys Kids paper, but I will look at it. It will be useful to us in our March meeting, when we will dedicate a period of time to look at the lessons emerging from the first programme. We spend quite a lot of our time looking at the differences between the first round and the second round. Some of those differences have been positive and some have been controversial. For example, voluntary sector representatives around the table continue to raise the issue of procurement as something they think has not been done in a way that the third sector has found the easiest to engage with during the second round of funding. I am a bit in danger this morning of making it sound as though we meet to tell each other how well everything is going, when it is not like that at all. On some of the big things, we feel generally satisfied that things are on track, but we spend a lot of our time looking at some of the more detailed things where we know that the experience on the ground is still of a programme that can be quite hard to engage with, quite difficult to work your way through and which provides a particular test for smaller

organisations that are not geared up to deal with it.

[292] **Jocelyn Davies:** We have heard from public sector organisations about over-procurement. You might like to read the transcript from this morning; that might be quite helpful. We do not want to bog you down, because it sounds as if you have quite a lot to read as it is, just in that role, never mind your other roles.

[293] **Mark Drakeford:** No, I would be pleased to do that.

[294] **Jocelyn Davies:** As Members do not have any other questions, that concludes this part of the meeting. Thank you very much for your evidence; it was very helpful. We will, of course, send you a copy of the transcript of the meeting for you to check for factual accuracy.

[295] **Mark Drakeford:** Thank you all.

11.55 a.m.

Papurau i'w Nodi Papers to note

[296] **Jocelyn Davies:** That there are a number of papers to note before we go into private session. We have the response from the Minister for Finance in relation to the budget scrutiny. Do any Members have anything to raise on that? Are you happy to note the paper? I see that you are.

[297] We also have correspondence from the Permanent Secretary. If you remember, we wrote to her following scrutiny of the budget about specific increases in the budget. The explanation for them is that they are down to a transfer from DEFRA of responsibilities, staff and the budgets for them. Is everybody happy to note that? I see that you are.

[298] We also have the minutes for the last meeting. I see that everybody is happy to note them.

11.56 a.m.

Cynnig Gweithdrefnol Procedural Motion

[299] **Jocelyn Davies:** 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).

[300] I see that nobody objects.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.56 a.m.
The public part of the meeting ended at 11.56 a.m.*