



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

**Y Pwyllgor Menter a Dysgu
The Enterprise and Learning Committee**

**Dydd Mercher, 16 Ebrill 2008
Wednesday, 16 April 2008**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynnddi 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

Alun Cairns	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Huw Lewis	Llafur Labour
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Sandy Mewies	Llafur Labour
Janet Ryder	Plaid Cymru The Party of Wales
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Dr Dennis Gunning	Cyfarwyddwr, Grŵp Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cynulliad Cymru Director of Skills, Higher Education and Lifelong Learning Group, Welsh Assembly Government
Gareth Hall	Cyfarwyddwr, Adran yr Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director, Department for the Economy and Transport, Welsh Assembly Government
Jane Hutt	Aelod Cynulliad, Llafur (Y Gweinidog dros Blant, Addysg, Dysgu Gydol Oes a Sgiliau) Assembly Member, Labour (The Minister for Children, Education, Lifelong Learning and Skills)
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, The Party of Wales (The Deputy First Minister and Minister for the Economy and Transport)
James Price	Cyfarwyddwr, Strategaeth Polisi a Gwasanaethau Corfforaethol, Yr Adran Datblygu Economaidd a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director, Policy Strategy and Corporate Services, Economic Development and Transport Department, Welsh Assembly Government

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

David Blair	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Dan Collier	Dirprwy Glerc Deputy Clerk

Dr Kathryn Jenkins	Clerc
	Clerk
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau
	Members' Research Service

*Dechreuodd y cyfarfod am 9.01 a.m.
The meeting began at 9.01 a.m.*

Cyflwyniad ac Ymddiheuriadau Introduction and Apologies

[1] **Gareth Jones:** Bore da, a chroeso i'r cyfarfod hwn o'r Pwyllgor Menter a Dysgu. Croeso hefyd i'r cyhoedd sydd, efallai, yn gwyllo. **Gareth Jones:** Good morning, and welcome to this meeting of the Enterprise and Learning Committee. Welcome, also, to any members of the public who may be watching.

[2] Fe'ch atgoffaf i beidio â chyffwrdd â'r meicroffonau, ac i ddiffodd unrhyw ffôn symudol neu ddyfais electronig sydd gennych. Nid ydym yn disgwyl ymarfer tân, felly, os clywir y larwm, bydd rhaid inni gael ein tywys o'r adeilad cyn gynted ag sy'n bosibl. I remind you not to touch the microphones, and to switch off any mobile phones or other electronic devices that you may have. We are not expecting a fire drill, so, if the alarm sounds, we will have to be evacuated from the building as swiftly as possible.

[3] Cynhelir y cyfarfod yn ddwyieithog. Mae clustffonau ar gael i glywed gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ac i chwyddleisio'r sain. Fel y gwyddoch, bydd cofnod o'r hyn a ddywedir yn gyhoeddus. The meeting is held bilingually. Headphones are available to hear the simultaneous interpretation from Welsh to English and to increase the volume. As you know, a record of what is said publicly will be published.

[4] Daeth ymddiheuriad oddi wrth Christine Chapman. Nid oes dirprwyo, hyd y gwn i, ac nid oes rhagor o wybodaeth ynghylch unrhyw absenoldebau eraill. We have had one apology from Christine Chapman. There are no substitutions, as far as I know, and there is no other information about any other absences.

9.02 a.m.

Adroddiad Dilynol Terfynol Drafft ar Drefniadau Ariannu Ysgolion yng Nghymru

Final Draft Follow-up Report on School Funding Arrangements in Wales

[5] **Gareth Jones:** Mae papur 1 eisoes wedi'i gylchredeg inni. Yn sgîl y sesiwn graffu—cafwyd dwy sesiwn graffu ac ymgynghoriad ysgrifenedig gyda rhanddeiliaid allweddol—dyma'n cyfle fel Aelodau i drafod yr adroddiad terfynol drafft. Pan fyddwch yn fodlon ar y drafft terfynol, caiff ei osod gerbron y Cynulliad gyda chais am ddadl mewn Cyfarfod Llawn. Felly, gwahoddaf unrhyw sylwadau sydd gennych chi'r Aelodau i'w gwneud ar yr adroddiad hwn. **Gareth Jones:** Paper 1 has been circulated to us. Following the scrutiny session—we had two scrutiny sessions and a written consultation with key stakeholders—this is our opportunity as Members to discuss the final draft report. When you are content with the final draft, it will be laid before the Assembly with a request for a debate in Plenary. I therefore invite any remarks that you the Members may have to make on this report.

[6] A yw pawb yn gytûn ac yn fodlon ar Is everyone agreed and content as to the
gynnwys yr adroddiad? content of the report?

[7] **Jeff Cuthbert:** I was not a part of the sub-committee that drew this up, but I know that it has come back and forth a little. It seems to be consistent with what we have said. One issue that does concern me in particular is recommendation 11. I am getting fed up, I must admit, with regard to schools in my area, with what is called the ‘fog’ around how LEAs work with schools to understand the funding process and what should come to them and what should not. I therefore think that that is a particularly important recommendation. However, in general terms, I have nothing much more to add.

[8] **Gareth Jones:** Mae’n ddrwg gennyf, **Gareth Jones:** I am sorry, Jeff. You were
Jeff. Yr oeddech yn cyfeirio at argymhelliad referring to recommendation 11.
11.

[9] **Jeff Cuthbert:** Yes, which is,

[10] ‘Irrespective... the Government should work closely with local government to
improve schools’ understanding of the funding process and funding streams.’

[11] Am I looking at the right thing?

[12] **Gareth Jones:** Those were the previous recommendations that we have scrutinised,
as it were.

[13] **Jeff Cuthbert:** Oh, I beg your pardon.

[14] **Gareth Jones:** The recommendations are incorporated in the body of the report, as
you can see, in blacker than black, as it were. This report was specifically about the
arrangements of school funding. It is important that we remind ourselves that that was the
situation. I honestly believe that we have looked at this in some detail, and I certainly would
commend the report. It has highlighted two or three areas of weaknesses, which lead to a
certain obfuscation, or some difficulties in interpretation. I believe that, if these were to be
acted on, we could make progress.

[15] Huw wants to come in on this, and then Janet.

[16] **Huw Lewis:** You have answered the point that I wanted to raise, Chair.

[17] **Janet Ryder:** What struck me was that we are back to the same problem—that
departments within councils charge other departments, and no-one is clear what those charges
are. That affects the overall amount of money that is available for schools. That came out
clearly from the Wales Audit Office. I do not know whether the recommendation that we
have another look at the section 52 returns will clear that up, or whether we want to ask the
Minister to look at making councils declare what those internal charges are, so that it is clear.

[18] **Gareth Jones:** That is a valid point. We want this to be a constructive report for
Government to consider. There will be a debate on this, and we could emphasise what we feel
should be key areas. Do you wish to amend or edit the report in any way, or change its format
or whatever?

[19] **Sandy Mewies:** Would it be more useful to have our recommendations together, and
perhaps cross-reference them with the original?

[20] **Gareth Jones:** Is that possible, David?

[21] **Mr Blair:** Yes, certainly.

[22] **Janet Ryder:** That issue of inter-charging—I do not know what you would call it, recharging, perhaps—among county council departments did not come across as clearly in the original committee review as it did in the evidence that we took this time around.

[23] **Gareth Jones:** Okay. Can we take that on board, therefore, David, and incorporate that somehow more specifically in the report so that the nature of what was referred to there is clearly understood? I believe that we have made progress, and there are key areas that the Government and local authorities can look at, so in that sense I would ask you to commend it. However, in terms of how the report is written, and in terms of its presentation and format, we may simply need to amend it somehow.

[24] **Sandy Mewies:** We have worked hard on this report, and it is clear, but I believe that the recommendations should be together, because otherwise you are jumping from one thing to another.

[25] **Gareth Jones:** I must admit that I had a look at the recommendations in the annex, and I thought that those were the ones that we were scrutinising. Therefore, I would ask Kath and David to have another go at that. However, I believe that we are satisfied with the content of the report.

9.08 a.m.

Cynnig Trefniadol Procedural Motion

[26] **Gareth Jones:** Mae gennym tua 20 munud cyn yr eitem nesaf. A yw unrhyw un eisiau cynnig ein bod yn mynd i sesiwn breifat? **Gareth Jones:** We have about 20 minutes before the next item. Does anyone wish to propose that we move to a private session?

[27] **Jeff Cuthbert:** I am happy to do so, so that we can perhaps discuss the next item. I propose that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[28] **Gareth Jones:** Gwelaf fod y pwyllgor yn gytûn. [29] **Gareth Jones:** I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion carried.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 9.09 a.m.
The public part of the meeting ended at 9.09 a.m.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 9.39 a.m.
The committee reconvened in public at 9.39 a.m.*

Tystiolaeth i Ymchwiliad y Pwyllgor i Gyfraniad Economaidd Addysg Uwch
Evidence to the Committee Inquiry into the Economic Contribution of Higher Education

[30] **Gareth Jones:** Yr ydym yn ddiolchgar am y papur a baratowyd ar ein cyfer gan y ddau Weinidog. Yr wyf yn estyn croeso cynnes i'r Gweinidogion i'r pwyllgor. Diolch i chi am y dystiolaeth ysgrifenedig honno, a chroeso i Jane Hutt, y Gweinidog dros Blant, Addysg, Dysgu Gydol Oes a Sgiliau, a'r swyddog, Dr Dennis Gunning, cyfarwyddwr y grŵp dysgu gydol oes a sgiliau. Yr ydym hefyd yn croesawu Ieuan Wyn Jones, y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth a hefyd Gareth Hall, cyfarwyddwr yr adran dros yr economi a thrafnidiaeth.

Gareth Jones: We are grateful for the paper prepared for us by the two Ministers. I extend a warm welcome to the Ministers to the committee. Thank you for that written evidence, and I welcome Jane Hutt, the Minister for Children, Education, Lifelong Learning and Skills, and the official Dr Dennis Gunning, director of the lifelong learning and skills group. We also welcome Ieuan Wyn Jones, the Deputy First Minister and the Minister for Economy and Transport and also Gareth Hall, director of the department for economy and transport.

[31] Efallai ei fod ychydig yn anarferol, ond, ar gyfer y sesiwn hon, yr wyf am ofyn cwestiwn o'r gadair i'r ddau Weinidog, ac mae fyny i chi sut yr ydych am ymateb. Byddwch yn ymwybodol i'r pwyllgor graffu ar adroddiad Simon Gibson a'i dîm ar fasnacheiddio yng Nghymru yng nghyfarfod yr wythnos diwethaf. Cododd nifer o faterion pwysig yn ystod y cyfarfod a gafodd gryn sylw yn y cyfryngau a'r Cynulliad. Yr oedd yr Aelodau yn unfryd fod y dystiolaeth a gyflwynwyd o'r pwys mwyaf i'n hymchwiliad i gyfraniad economaidd addysg uwch. A ydych wedi derbyn argymhelliad adolygiad Gibson, ac, os felly, sut yr ydych yn cyfrif am y diffyg cynnydd a fu o ran eu gweithredu neu am yr amgyffrediad o ddiffyg cynnydd?

It may be somewhat unusual, but, for this session, I will ask a question from the chair to the two Ministers, and it is up to you how you respond. You will be aware that the committee scrutinised the report of Simon Gibson and his team on commercialisation in Wales in last week's meeting. A number of important issues arose during the meeting that gained much attention in the media and the Assembly. Members were unanimous that the evidence presented was of great importance to our inquiry into the economic contribution of higher education. Have you accepted the recommendation of the Gibson review, and, if so, how do you account for the lack of progress in their implementation or the perception of a lack of progress?

[32] **Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth (Ieuan Wyn Jones):** Diolch am y gwahoddiad i gael trafodaeth gyda chi ar bwnc hynod o bwysig; mae'r Llywodraeth yn ei ystyried yn bwnc mor bwysig fel bod dau Weinidog yn bresennol i gael eu cwestiynu ar yr un maes. Mae'n dangos fod modd i ddwy adran gydweithio i gyflawni mewn maes yr ydym yn ei ystyried yn un o flaenoriaethau mawr y Llywodraeth.

The Deputy First Minister and the Minister for Economy and Transport (Ieuan Wyn Jones): Thank you for the invitation to have a discussion on an exceptionally important issue; the Government considers it to be so important that two Ministers are present to be questioned on the same area. It shows that two departments can work jointly to deliver in an area we consider to be one of the Government's major priorities.

[33] Mae'r ddau ohonom wedi cael golwg ar yr hyn a ddywedwyd gan Mr Gibson yn y pwyllgor diwethaf. Mae'n debyg y bydd tipyn o gwestiynau ynglŷn â sut yr ydym yn

We have both looked at what was said by Mr Gibson in the last meeting. There will probably be numerous questions on how we are implementing the recommendations, but I

tynnu allan yr argymhellion, ond mae gennyf ateb am bob un o'r argymhellion o ran y ffordd yr ydym yn symud ymlaen, ac efallai y cawn fynd i mewn i'r manylion hynny wrth i'r sesiwn graffu symud yn ei blaen.

[34] Y peth cyntaf y dylwn ei ddweud yw bod Mr Gibson wedi cael ei gomisiynu gan un o ragflaenwyr Andrew Davies, ac yr wyf yn ystyried fod y gwaith a wnaeth yn waith pwysig iawn, ond yr oeddwn yn teimlo'n flin pan ddywedodd ei fod yn teimlo iddo gael trafferth wrth ganfod gwybodaeth o'm hadran ar y pryd. Fodd bynnag, mae ei waith yn hynod werthfawr i'r adran, ac yr wyf i a'm swyddogion wedi bod yn trafod sut yr ydym yn gweithredu ar yr argymhellion hynny. Er nad oedd yn adroddiad i mi fel y cyfryw, mae cyfrifoldeb bellach ar fy adran i sicrhau ei fod nid yn unig yn cael ymateb llawn i'w waith ond bod eglurder hefyd ynglŷn â'r ffordd y mae'r argymhellion yn cael eu gweithredu.

[35] Yr oedd tri prif argymhelliad yn yr adroddiad. Yr argymhelliad cyntaf oedd sefydlu paneli ymgynghorol ar fasnacheiddio. Mae peth o'r gwaith hwnnw wedi dechrau'n barod, a bydd cynllun peilot ar baneli ymgynghorol yn cael ei sefydlu. Yr wyf yn falch o allu cadarnhau fod Prifysgol Cymru Casnewydd yn arloesi gyda'r math hwnnw o banel, ac mae dau goleg arall ar hyn o bryd yn ystyried symud i'r un cyfeiriad. Felly, mae symud wedi bod yn barod yn y maes hwnnw.

[36] Yr ail argymhelliad oedd bod Llywodraeth y Cynulliad yn llunio strategaeth fasnacheiddio, ac mae'r ddwy adran wrthi ar hyn o bryd yn ystyried sut i'w symud yn ei flaen. Mae tair elfen i'r strategaeth: y cyntaf yw adroddiad Gibson, a'r ail yw'r adroddiad yr wyf newydd ei dderbyn gan y pwyllgor ymgynghorol gweinidogol drwy waith arbennig Richard Parry-Jones, ac mae'r gwaith hwnnw i ryw raddau yn mynd i'r un cyfeiriad ac yn dod i'r un casgliadau, ac felly yr wyf am ystyried hynny. Y trydydd maes yw'r gwaith ar y cyd y mae Jane a minnau yn ei wneud fel Gweinidogion, felly, mae'r tair elfen honno yn gorfod mynd i'r un cyfeiriad. Enghraifft o'r cydweithio sy'n digwydd ar hyn o bryd yw ein bod yn cydweithio gydag Addysg Uwch Cymru ar y rhaglen ysgoloriaethau doethuriaeth gydag ymweliadau gan

have an answer for each of the recommendations in terms of how we are moving them forward, and perhaps we can go into those details as the scrutiny session progresses.

The first thing that I should say is that Mr Gibson was commissioned by one of Andrew Davies's predecessors, and I consider that the work that he has done to be very important, but I was disappointed when he said that he felt that he had difficulty in finding information from my department at the time. However, his work is invaluable to the department, and I and my officials have been discussing how we will implement those recommendations. Despite the fact that it was not a report for me per se, my department now has a responsibility to ensure that he not only receives a full response but that there is also clarity about how the recommendations will be implemented.

There were three main recommendations. The first recommendation was to establish advisory panels on commercialisation. Some of that work has already begun, and a pilot scheme on advisory panels is being established. I am glad to confirm that the University of Wales Newport is innovating with that type of panel, and two other colleges are currently considering moving in the same direction. So, there has already been movement in that area.

The second recommendation was for the Assembly Government to draw up a commercialisation strategy, and both departments are currently considering how to take it forward. There are three elements to the strategy: the first is the Gibson report, and the second is the report that I have just received from the ministerial advisory group through the excellent work of Richard Parry-Jones, and that work to some extent follows in the same direction and comes to the same conclusions, so I want to consider that. The third area is the joint work that Jane and I are doing as Ministers, so, those three elements must follow in the same direction. An example of the joint work that is currently happening is that we are working jointly with Higher Education Wales on the programme of scholarships with visits from university lecturers from all over the world.

athrawon prifysgol o bob rhan o'r byd.

[37] Gallwn hefyd ddefnyddio gwaith ardderchog Sefydliad Gwyddorau Bywyd Prifysgol Abertawe fel patrwm, ac mae cyfle i ni drafod y math o waith a chysylltiadau masnachol a ddatblygir rhwng IBM, Boots a'r brifysgol. Felly, mae hon yn ffordd newydd o weithio. Wrth inni symud ymlaen gyda'r sesiwn graffu, ac os yw'r pwyllgor yn dymuno, gallwn fod yn fwy manwl ynghylch pob un o'r argymhellion ac awgrymu lle'r ydym wedi cyrraedd gyda phob un ohonynt.

We can also use the excellent work of Swansea University's Unstitute of Life Science as a model, and there is an opportunity for us to discuss the type of commercial work and links that are being developed between IBM, Boots and the university. Therefore, this is a new way of working. As we progress with the scrutiny session, and if the committee so wishes, I could go into much more detail about each recommendation and suggest what stage we are at with each one.

[38] **The Minister for Children, Education, Lifelong Learning and Skills (Jane Hutt):**

I am also pleased to be here. This demonstrates how we are working together as departments. We value the work that this committee has undertaken and we look forward to seeing the report. To follow on from the points made on the review of commercialisation, the Deputy First Minister has said that we are working together with Higher Education Wales, an example of which is the University of Wales programme on PhD studentships and visiting professorships from around the world in key sector subject areas. Other links have been mentioned. I hope that I will have the opportunity this morning to say some more about the importance of enterprise and entrepreneurship education in higher education. Clearly, in HE, our efforts to encourage and embed a culture of enterprise and entrepreneurship in Welsh higher education institutions are concentrated on initiatives funded, for example, through the Higher Education Funding Council for Wales's third mission fund and the programmes run by the Department for the Economy and Transport. So, I am sure that we can move into discussions to look at the higher education business community interaction survey data, which are outlined in the written report to the committee, and show how we are engaging in those important points and recommendations that are coming out of the commercialisation review.

[39] **Kirsty Williams:** Last week, we saw in the Gibson review and heard from its members that there was a lack of comprehensive performance staffing and impact data with regards to commercialisation activities that are already supposedly happening in Wales; 249 staff are currently engaged in this activity, yet it is difficult to get any outcomes from that, because of a lack of data. Deputy First Minister, what have you done to try to address the weaknesses in data that the Gibson review identified so that we can have some proper mechanism to understand the impact of people involved in this particular work?

[40] On the boards, you said that you were making progress on the implementation of this recommendation of the boards and you specifically mentioned Newport. Could you clarify that the work happening in Newport is the result of action taken by your department? Is it officially a part of the pilot scheme that you just mentioned, because the impression that we were given last week was that what Newport was doing was very much off its own back and had nothing to do with what was happening in terms of any policy direction given by your department?

[41] **The Deputy First Minister:** I will deal with the second point first. Work was undertaken at Newport, but it has now been agreed that the work that has already been done there will now form part of the initial pilot schemes on one of the advisory panels, which I think is recommendation 5 in Simon Gibson's report. I am sure that Jane will want to come in on the work being done by HEFCW, but the agreement is to pilot this approach with HEFCW in several institutions. It was crucial that we looked at what was already happening and Newport, as you rightly point out, had already started the work. We want to work with

Newport to develop our own pilot scheme in relation to that. However, two other HEIs will also become part of the pilot operation.

9.50 a.m.

[42] On the lack of data, as was claimed, I will ask Gareth to talk about the detail, but one crucial point in the ministerial advisory group report that I received was that it was necessary for the Government to move forward on the best form of evidence base—all of our work has to be based on the best available data. You might like to mention the key issues around that, Gareth, and what sort of data is available to the department to take that forward.

[43] **Mr Hall:** Based on the work of commercialisation panel, we initiated an independent audit of the intellectual property activity in the HE sector. We had that carried out independently by Oxford Innovation Ltd. We have also drawn up a tender document, and will be working with Simon Gibson and his panel on it, to go out to attract the right sort of people to be on the panels in the piloting university. We want these people to become engaged, so that they can hit the ground running, with a stock of intellectual property that has the scope to be commercialised. They can focus on how that research and development can be translated into potential new businesses and new jobs. Having got that baseline information, we then want to use these panels to monitor how that commercialisation is progressed; so, the panels will be an intrinsic part of this process. We want advice from these experts on how they can help us not only identify ideas and research with the potential to be exploited, but on how that can be exploited and monitored. We also want to see the panels identifying any gaps in research and expertise that can then be fed back into the system, particularly to HEFCW, and where we can maximise research grants from all the available sources, particularly the research councils, which are UK bodies, so that we can get our act together to draw on that potential financial resource. They will also be tapping into a new £50 million fund, A for B, which was announced by the First Minister on St David's Day in Brussels—

[44] **The Deputy First Minister:** Perhaps you should explain that name.

[45] **Mr Hall:** I am sorry; my whole life seems to be acronyms—it stands for Academia for Business. You will be aware of that. We have streamlined a number of existing programmes in the field of commercialisation and technology transfer to make them more flexible and available, and, again, the advisory panels will be at the heart of this.

[46] **Kirsty Williams:** For the sake of clarity and brevity, will we be able, in a year's time, to establish your precise expenditure on this project? Will we, from now on, have information on the commercial values derived from intellectual property created in higher education? Will that now be recorded by individual institutions as part of their normal reporting process—yes or no? From now on, will we have actual data regarding the output of techniums?

[47] **The Deputy First Minister:** The answer to all those questions is 'yes'. If the committee would like that to be part of the reporting back process—

[48] **Gareth Jones:** We would appreciate that.

[49] **The Deputy First Minister:** We will put that in train.

[50] **Gareth Jones:** Diolch am hynny. **Gareth Jones:** Thank you for that.

[51] There is a follow-up point from Janet, and then I will turn to Sandy.

[52] **Janet Ryder:** I want to ask about the make-up of the panels. What exactly do you envisage these panels as being? If they are purely to identify the intellectual property that can

be commercialised, that is one thing, but are they to work alongside the students to develop their skills in entrepreneurship? We have seen a stark contrast between the way that our universities work and the way that universities work in the white rose cluster in England, and certainly in America, where the emphasis is much more on supporting and developing students—not just equipping them with entrepreneurial knowledge, but teaching them how to use that knowledge. That was the key to unleashing the potential of the universities.

[53] **The Deputy First Minister:** That is an excellent point. I think that it was picked up in a later recommendation in the Gibson report: recommendation 7, which says:

[54] ‘In parallel with investment in intellectual property, advisory panels should also be encouraged to invest in talented individuals or teams of individuals.’

[55] I think that that is the point that you are making. As Gareth has mentioned, the Academia for Business project would be looking to build that capacity within universities. You are absolutely right that you need to commercialise research, but we also have to remember that you must nurture the talented individuals currently in universities. This is one thing that we hope will be thrown up consistently by the work that we are doing. I do not know whether James would like to elaborate on that.

[56] **Mr Price:** On the detail in relation to the specific question that you asked about the role of the panels, the review’s view of what the panels would bring to this is a focus on the type of projects or knowledge that could be turned into commercial intellectual property that the market would be interested in. That was the focus. So, the focus of the panels would be to look at a university school, and identify what the school was doing that would be commercially viable. That is the primary focus. The group also noted that, once you get those panels interested, they will also want to get involved more with the students and with the academic staff; you then get the wider benefit. However, there was a separate recommendation from the panels, which tied into providing entrepreneurship training and education in universities.

[57] **Jane Hutt:** Perhaps I could come in here. This is very important in terms of the joint working that we are taking forward. We have a very good record in terms of the GO Wales project, which, again, is mentioned in the written report. It is managed by the HEFCW, and delivered by HEIs in Wales. GO Wales is already helping businesses, particularly small and medium-sized enterprises, to access higher level skills and help students and graduates to make the best possible start to their careers in Wales. The figures have already been given about the numbers of individual students and graduates who have benefited. Of the companies involved in GO Wales, almost three quarters offered their student or graduate further employment. So, it is progressing. That links to the collaborative projects that are being developed with the sector skills councils. So, this has to be the review on commercialisation and the work that we are doing in terms of implementing the recommendations builds on already important programmes and initiative like GO Wales. We need to incorporate and ensure that there is synergy in terms of enabling those panels that are looking at this issue in terms of innovation and enterprise in HEIs and raising the profile; and we need to work together across our departments, which we are doing, to deliver this.

[58] **Sandy Mewies:** Ieuan, we were very impressed last week by the Gibson team that came here. However, I was dismayed by some of the perceptions that they had about what had happened to the review. You seem to be saying that it has been a bit like a swan gliding sedately along, with a lot of activity under the water. You seem to be saying that we will respond to the review. Kirsty made the point that we were told that Newport was well ahead with its panel. We are now adopting that. Gareth has said, ‘We will do this, we will do that’, but I am not even sure what has been done. You talked about this audit of IT; has that been completed?

[59] **Mr Hall:** Yes.

[60] **Sandy Mewies:** Is that ready to go on?

[61] **Mr Hall:** Yes. I am sorry. It is intellectual property, not IT.

[62] **Sandy Mewies:** I am sorry, intellectual property; I meant to say IP and not IT.

[63] You seem to be saying that things have been going on. Why were they not told about it? I do not understand why you set people up to do work like that, and they come to a committee such as this one and say that nothing has happened. What they said was very much along the lines of, 'We are being blocked'. That is my first point. That relates to your point about when this will happen. I still have not had an answer.

10.00 a.m.

[64] **Alun Cairns:** Can I also say that they were not even thanked for the report.

[65] **Gareth Jones:** There are points here that both Ministers will be aware of. They will have read the Record—

[66] **Sandy Mewies:** So, when will this happen? It is the timeline issue. Simon Gibson was clear that if you do not move ahead quickly on these things and if you do not keep the impetus going, you can lose ideas. What I found daunting was the fact that he said that there are many good ideas coming from the universities that are withering on the vine. We talked about the advisory panels—James gave me a clear idea on this—and I see them a bit like football scouts. I am not really into football, but that is how I see them, looking for—

[67] **The Deputy First Minister:** Or even rugby coaches.

[68] **Sandy Mewies:** Yes, whatever, but that sort of activity—people going around looking at what is happening, picking up the stars and the ideas of the future. My concern, which I expressed to them, was whether we are going to turn this advisory panel into another layer of bureaucracy, or whether are we going to let them run in the way that was envisaged by that team. You have the ministerial advisory group, which, as you said, is doing some similar work. I ask you the same question as I asked them: what will the relationship with Government be? That, for me, is the key. Are they going to be able to act in an independent way and get on with it, or are they going to have to jump through hoops? If they come back with these ideas, will they be acted upon, or will we lose them and let them wither on the vine?

[69] **The Deputy First Minister:** Rather than taking up the committee's time this morning by verbally going through each recommendation and how it is being taken forward—although I will if you want me to—it may be helpful for me to write to you, setting out all of the 10 recommendations in the Gibson review. It would be helpful for everyone to have on record the work that is being undertaken. We concentrated, for obvious reasons, on the advisory panels, but we are taking forward other crucial parts of the review. What I will do, perhaps in a joint letter with Jane, is to write to you on each recommendation, setting out exactly what is being done to take them forward.

[70] It is important not to lose sight of the fact that, as I indicated in my first response, there are three strands working together here. Two of those strands are the Gibson review and the ministerial advisory group work—and some of those decisions will have to be made by the Government, and be published in due course. There are three key words that encompass

both reports: the work must be ‘strategic’, ‘focused’ and ‘sectoral in its approach. We must understand that, in the current global climate, we cannot do everything and we cannot conduct research into everything; we must pick things that fit with the current needs of the Welsh economy. Perhaps we can discuss one or two of those as we go forward. The third strand, which drives the Gibson review work and the MAG work forward, is the joint working between the Department for Children, Education, Lifelong Learning and Skills and my department.

[71] So we have those three strands coming together, and we want to make it clear—and I know that Jane will say exactly the same thing—that that is a priority for this Government. Without doubt, this is an area in which, at the end of the current Assembly term, we could have made a real difference; we want to make a real difference. There is no question about the priority that we give to all of the issues. I am sorry about what happened in committee the last time—about the impression that you were left with. We want to make it clear that we are taking the Gibson review forward, alongside the MAG work and the joint-departmental work that we are doing. I very much want to allow people who have the talent to feel that they can make a contribution without having to jump through all the hoops that, as Sandy said, people sometimes feel are put in their way.

[72] I can ask Gareth or James to indicate how it would work. However, the way that I see it working is that the advisory panels should be one of the ways in which we identify not only talented individuals who can deliver some benefit to the Welsh economy, but those sectors where we believe that the Welsh economy can make a real difference. Perhaps we could talk about some of those later on. James, I do not know whether you would like to say something on that.

[73] **Mr Price:** On the specifics of how we envisage panels working, we specifically do not want to make them institutionalised or wrap them in a load of unnecessary governance. The idea is that the Assembly Government’s role in this is only to facilitate the forming of the panels and that the panels would then be owned by the institutions that are going to use them. Moreover, the panels will not form part of those institutions’ bureaucracy, but will be tools that are there to be used. That is the spirit of the review and the spirit in which we want to take it forward. There are challenges around that in the form of conflicts of interest and so on, but we think that there are ways of handling those.

[74] **Jane Hutt:** I would like to add that it is about piloting the approach at this stage to see what will be most effective, and those kinds of criteria will be part of that pilot.

[75] **Alun Cairns:** The Deputy First Minister, in his statement, said that he saw the roles of the panels as being not only to identify and support individuals, which is quite clear in terms of what Gibson has recommended. However, I suggest that you have taken it a step further by talking about identifying sectors. Does that not amount to merely picking winners?

[76] **The Deputy First Minister:** No, it does not. This is one of the areas where I would like to explain to you what sort of sectors we believe that we can make real, where some of the universities are already doing some fantastic work; there is no doubt about that. There is the whole area of aerospace, the area of ICT, and the big area of health, pharmaceuticals and biotechnology where some work has already been done in areas like translation of medicine research, public health research, e-health and so on. There is a great deal of work going on out there. Those are the kinds of areas where, first of all, there is already some great work being done in Wales, on which we need to build, involving companies such as Airbus, EADS and so on. In ICT terms, some fantastic work is currently being undertaken at Bangor, Swansea, Aberystwyth and Cardiff, taking forward a Wales centre for visual computing.

[77] To be honest, health is the area where we have historically been unable to capture as

much of the research funding as we should have. There is a massive amount of research funding available in that area. I must say that, during some of my visits to companies outside Wales, I have been told that this is a field where they think that we can make a real difference—in areas such as pharmaceuticals and biotechnology. Some companies are saying to us that, if they were confident that Wales could raise its game in this area, they would be more confident in investing some of their research and development facilities here. So, I think that it is crucial that we take the steps that we are talking about.

[78] **Janet Ryder:** The research money can come either from companies that want that research done—so they will invest in higher education institutions and provide resources—or from the research council. You can influence and attract companies, but we seem to have very little control over the research council, yet universities direct their research towards whatever the research council is asking for. How are you going to fulfil what Wales needs in terms of research if you do not have control over research money in Wales?

[79] **The Deputy First Minister:** I will talk a bit about that, but I am sure that Jane will talk a little bit more about capacity. The first thing is that, in order to capture research funding, you must build up your research base to start with. Very often, the problem is that we do not have the necessary research base in some of our higher education institutions to bring in a lot of that new research money. However, they are working very hard at it.

10.10 a.m.

[80] One of the things that I have found most positive in the joint work that we are doing is the way in which higher education institutions want to buy in to this new agenda, because they know that they need to raise their game, and we as a nation need to raise our game. You are right that, historically, we have not been able to capture enough percentage share of UK research, but, by building up our research base, I believe that we can do it. In an area such as health, there is a great deal of money available.

[81] The only other thing that I would mention before Jane comes in is this: it is not just about research funding money; it is also about getting private sector money to come in, which UK universities generally have not been good at that. There is also convergence funding and funding from our own departments. That is why we are working together. We believe that, by pooling our resources as two departments, we will get more bang for the buck, as they say.

[82] **Jane Hutt:** Yes, and it is not just about our two departments, because, in health terms, the Wales Office of Research and Development for Health and Social Care is critical. That has £25 million plus, and that budget is also linked closely to the Association of the British Pharmaceutical Industry, looking at the commercial potential of research in Wales. So, some of those important developments, including the Wales gene park—which attracts external grants and commercial income sources—cancer research, informatics, e-health, and translational research, which Ieuan has already mentioned, are part of another close departmental link-up that is being made with the Minister for Health and Social Services.

[83] Going back to the point about UK research council funding, Janet, clearly, it is about improving the percentage, but we have already increased our value in terms of accessing UK research council funding, and that has to be a key factor with regard to what we see as the priorities, as Ieuan said, in terms of the sectors.

[84] I want to mention 'Reaching Higher', because we have increased research income from resources other than research councils by 100 per cent since 2000-01, and that is anticipated to continue until 2010-11. That is impressive. In fact, £95 million is now coming in from other sources; that is the indication that we have for 2006-07. We must recognise, with regard to UK research council funding, that it is very competitive in the world, let alone

just in the UK. So, we must improve the value in particular, but, as Ieuan has said, we have our own departmental and other research funding opportunities as well as convergence funding. We also have concordats with the UK research councils, and we meet with them regularly at an official level. That is one of my key priorities.

[85] **Gareth Jones:** We have two more questions on the Gibson commercialisation report. Jeff is first and he will be followed by David.

[86] **Jeff Cuthbert:** I am pleased with what I have heard this morning so far. However, there needs to be a review of the processes in, probably, both departments that led Mr Gibson to express such frustration last week because the report had been there since the summer of last year but the authors had heard nothing more. It seems that things were going on but the fact that the authors of the report had heard nothing, suggests that, procedurally at least, there is a problem. I would welcome your comments on that.

[87] As I dare say you know, there was quite a coverage in the *Western Mail* last Thursday of the evidence given to us in that meeting. I do not, in any sense, take my instructions from the *Western Mail*, but there was a little bolt-on article that gave the clear impression that you, Deputy First Minister, would make a very important announcement this week about the Gibson review and how it will have an impact on Wales. When will that announcement be made? Was the *Western Mail* statement accurate? Who are you going to make the announcement to? You can come back to that point.

[88] On the other key issues, you are absolutely right to say in the introductory document's third paragraph that you have a shared vision of a Wales in which there is a strong and enterprising economy, with full employment based on long-term high quality jobs. That is absolutely right, as is the point about higher education being a crucial element. When a number of us visited the University of York to look at its Science City, we could not help but be impressed by what it is doing for the local economy in that part of England, to build on the point that Janet made. Indeed, they told us that the spin-out jobs are, to use their words, not just for those who wear white coats and have pointed heads; it goes right across the board in terms of the type of jobs that are provided, and we want to see that here.

[89] We were also told that a similar facility is likely to be developed in Bristol. Clearly, if that is the case, it could act as a magnet for organisations from south-east Wales, which could have a negative impact on our higher education institutions if we are not ready to meet the challenge. The issue that came out of Mr Gibson and his team's evidence is therefore that of urgency. How close are we to really getting things off the ground? I am aware of what is happening in Newport; I had a private meeting with the vice-chancellor earlier this week. In more general terms, how close are we to getting things going?

[90] Finally, in the other direction, on industry and higher education working together, what is happening to encourage industry to invest in higher education and to get engaged? We talk a great deal about what higher education must do to draw in industry: what about the other direction?

[91] **The Deputy First Minister:** So that we can probably put the record straight altogether, as well as writing to the committee to explain how we take the recommendations forward, I am happy to write to Mr Gibson and his team, if there is any misunderstanding as to how that is being taken forward. In that way, I hope that we can make progress.

[92] I have certainly not heard that I am supposed to be making an announcement on the Gibson review. I will however be making an announcement on Thursday on flexible business solutions, which is part of the response, if I can put it like that, to some of the issues that have arisen, not only in the Gibson review, but in previous other reviews. It is a new way of

delivering business support, and although it is currently outside the remit of the inquiry, I have no doubt that the committee will wish to question me in more detail at some point on that announcement when it has been made and when the system is up and running.

[93] I very much appreciate your point about the urgency in this matter, Jeff. This is urgent. We have put in place a great number of the necessary things to take it forward on a joint basis, but we both understand the need for this now to be moving forward with urgency. What has been quite positive already, as I indicated, is that some of the universities are already running with the agenda themselves in a very positive way. Jane made a crucial point when she said that you do not get research money simply by applying for it; it is a very competitive field. One of the things that we need to do is to encourage our universities to work much more together. We are smaller in size as institutions than some of the others that are bidding for the money, so good, joint bids stand a much better chance of succeeding.

[94] Your point about private sector involvement is important. It is something that we want to develop. There have been successes. There is the whole issue of IBM in Swansea, which is a fantastic collaboration involving one of the leading companies in the world in its field. Boots is also there. One of the interesting developments is that, because of the IBM and life sciences link-up in Swansea, we are beginning to see the value of that investment drawing clusters around it. It is a valuable source when you get some of the leading companies in the world setting up these collaborations with universities. The spin-offs are very good, so there are some good investments emerging around that. Gareth might want to expand on those. My final point is that we can do a lot more to involve the private sector, and I am pretty confident that we will see a lot more of that in the course of the next few years.

10.20 a.m.

[95] **Mr Hall:** When the Deputy First Minister went to New York he met with representatives from a company called Current Biodata, which has Welsh connections. It is part of the critical mass that is developing around the Institute of Life Science in Swansea, and it will be creating upwards of 45 jobs there. We are in discussions with—

[96] **The Deputy First Minister:** Can I just make the point that Current Biodata is coming to Swansea because of the life science facility; otherwise, it would have gone to Singapore. That is an important statement to make.

[97] **Mr Hall:** We are also talking with a private medical research foundation, which is looking to invest £5 million in a research facility at the Institute of Life Science. A great deal of research and development is undertaken by business, and it is very competitive across different regions. I can give Jeff another example of private sector involvement in research and development: our work with EADS, the European Aeronautic Defence and Space Company, which is a leader in defence technology that has moved to Newport. We are working with EADS to create a new concept called Innovation Works, which will identify and commercialise intellectual property in that field. We beat off competition from other regions in order to bring this Franco-German company to Newport. When we asked why it chose to set up in Newport, we heard that one reason was the expertise at Cardiff University, which had aligned its research with the needs of the business. That is a big message that we have to get across—the relevance of research.

[98] We will also set up a shared intellectual property fund, which will provide opportunities for spin-offs for other companies as well as EADS. Again, there is a kind of critical mass that coalesces around this sort of research. EADS has shown its commitment to the project and is relocating equipment, resources and expertise from around Europe to Newport. The Deputy First Minister mentioned the key sectors that the ministerial advisory group had been advising us on, and, ideally, we would love to see increased capacity and

capability for our universities in those particular sectors, aligned in partnerships with companies such as Boots, IBM and EADS, and with small businesses and spin-outs as well. We want the advisory panels to work with universities to exploit commercialisation in Wales, so that business does not go abroad.

[99] The other piece in the jigsaw is the announcement, which we will make later in the week, about the department's streamlining of our support, structures, relationship managers and expertise, so that we are geared up to look at this in the round.

[100] **Jeff Cuthbert:** I have a brief point on the statement. I accept that it is about certain types of business support structure. However, there is a quotation here, and perhaps you can confirm its accuracy. It says that Simon Gibson's report is

[101] 'wholeheartedly accepted by the Assembly Government's Minister for the Economy, Ieuan Wyn Jones'.

[102] Is that a factual statement?

[103] **The Deputy First Minister:** Yes, it is, and you will see that that is the case when I formally write to the committee with the document setting out the recommendations and the work that we will be doing. To be perfectly honest, if you have any questions on that—and I do not know when you will finish your inquiry—then I will be happy to answer them.

[104] **Jane Hutt:** I wish to follow up the point that you were making, Jeff, about your visit to York, the opportunities for the economy and the community, and the wider issues. I am sure that this committee has already looked at the third mission activity and funding, which is increasing to more than £6 million to support higher education institutions in their knowledge transfer activities.

[105] That links to the economic, cultural, social and community engagement of HEIs. However, it must be strategic, which goes back to the fact that we need strategy and collaboration. One example of third mission funding, for example, is the food industry skills project. That is a collaboration between Aberystwyth and Glamorgan universities, UWIC, and Coleg Menai, which is linked to the food industry sector skills council. That helps to support the delivery of sector skills agreements, but it is looking at food technology and at improving the quality and availability of specialist food industry training, and that is cross-departmental. Therefore, I hope that third mission activity and funding will help to drive those kinds of examples, which we saw, and which you have seen in your work as a committee.

[106] **Mr Hall:** I have one point to add to that. Since Simon Gibson completed his report, James and I have met with him and members of his group on several occasions. On one occasion, we talked about his experience of setting up the Newport panel. We asked him how he did that, and he told us that Newport is big in new media and the use of the internet and web-based communications, particularly for television. He used his contacts, because that is his expertise and experience; he said, 'I literally got on the phone and rang up contacts.'. We have translated that approach, and that is now in the specification to go out to tender—to get experts in fields that Simon and his team may not be familiar with and to use that process to get the real experts who can come onto these advisory panels and start to make a difference.

[107] **Dr Gunning:** I wish to pick up on a point that Gareth made earlier about how we use the information that the commercialisation panels develop. As part of the business support that we offer, it is important that they feed information into the new Wales employment and skills board. One of the crucial elements of growing business from research is that we have the whole range of skills available in the locality to support that business, so it is not just about graduate support—it is about the whole range of skills. The Wales employment and

skills board is how we hope to do that strategically.

[108] **David Melding:** There are some indications of a better approach to how we get innovation to the marketplace. It is telling that the Minister for Children, Education, Lifelong Learning and Skills gave an example that could have been given 50 years ago about the expertise that Wales has in food technology. That is not to minimise that, but I believe that we are looking for future developments that are not always capable of being anticipated. That is one of the main things that I got out of the Gibson report—that you must see to the whole economy, because only a certain proportion will bear fruit.

[109] What we have heard this morning is a relatively bureaucratic approach, and again we need strategies to come together—some sectoral thinking is appropriate. However, I have not sensed that freedom and panache that would lead to a better business culture in universities, particularly around science and technology. It is interesting that, with the panels, we have heard that they will do such things as monitor, feed back and advise on how to exploit ideas. However, I believe that what they need to do is to go in, see people's ideas, and then come up with completely different applications; that seemed to be one of the main things that was needed. For example, the Apollo missions led to non-stick pans, or whatever, which presumably would not have been anticipated.

[110] I do not see that these business people—these creative people who have the business skills that most academics, no matter how gifted, will not have because that is not the game they are in or want to be in—will wish to get bogged down in a bureaucratic approach, where they are filling in forms, feeding back, and monitoring. It is the cultural shift that we need some evidence on. What business consultation went on in designing the Academia for Business programme, which I believe is the first programme to be signed off in the latest round of convergence funding? Or was it very much Wales European Funding Office-led, with the Welsh Assembly Government looking at ideas it thinks can be applied? What critical business participation was there in the design of the programme, which you have quoted as being a significant programme of £50 million?

10.30 a.m.

[111] On what is curiously called the BERD data, the business, enterprise, research and development data, Wales does badly if you just take a crude population comparison; we get 1.6 per cent of the UK total according to the latest figures, which are for 2006. I will not lay that at your door, Minister; this is a historical reflection of the way the Welsh economy is, parts of England such as south-east England distort these data, and many other regions do not do so well. However, I notice in the BERD figures that there has been quite a marked improvement in Scotland and Northern Ireland over the past couple of years. Wales has deteriorated slightly, although perhaps not enough to be statistically significant, but, at best, we have stagnated.

[112] Are you minded to look at the Scottish Government's latest proposals for developing its innovation policies? I think that it is adopting what is often called the Finnish model, where you combine the approaches of a research council and a development agency in developing innovation technology and ideas and bringing them to the marketplace. What we have heard from you this morning is that the Gibson report is a good report, but that you were already doing many things that it said you should be doing, and that there was a bit of a misunderstanding about it. You have been quite defensive; there has been much quoting of what has been done, but not a lot of saying 'Let us live life forwards, grasp the situation and have an ambition to change things.'. Unless we have that attitude, in two, three, four or five years' time the BERD figures will still be stagnating.

[113] **The Deputy First Minister:** In fairness, certain statements were made in this

committee last week that we felt it was necessary for us to comment on; the committee invited us to do that, so we have done it. What we have tried to convey consistently this morning is that it is not just about the Gibson recommendations, which are very important in themselves, but that they must be part of the wider picture, which includes the ministerial advisory group's recommendations. Even when you say that I am not responsible for what has happened in the past, and that neither is Jane, in relation to various matters, the reality is that the establishment of the ministerial advisory group in itself was a recognition that it was necessary to have businesses and experienced business people giving advice to Government on how it should approach various topics, of which we are discussing a number today.

[114] It shows the willingness of the Government to accept some of the conclusions that the ministerial advisory group has come to, which will be published in due course; and that shows that the Government recognises that it cannot do everything in the world, and that it must focus on certain sectors. One of the things that the ministerial advisory group said, which was a challenge to all Governments, is that Governments try to do too much and that they should concentrate on areas in which they will be successful. That carries its own dangers, but it is something that we are prepared to do.

[115] If I may say so, David, I think that there was a reflection there of the historic relationship between business and universities. Historically, there has not been a close relationship between the two. I think that you and I shared an evening with Michael Moritz in the Cardiff business school, when he said that the culture in other countries, such as the United States, is different. He said that the relationship between the two in that country is so close that a massive amount of money is invested by universities in the private sector, whereas it is very small here. So, a cultural change needs to happen. What I am detecting with the success of some of the collaborative projects that have happened recently is that there is a wind of change, not only in the business community, but in higher education institutions. They recognise that, in order to increase their revenues also, there is an indication that they must work much more closely with business. What we have been trying to establish is joint working that shows that we recognise, as a Government, that we need to change that culture. So, we do not disagree with you on that. There is some excellent work happening in terms of research capture, but it needs to be improved, which is what we are saying and why we are doing what we are doing. So, I am happy to look at what happens in the Scottish Government, but we also want to promote many things ourselves—things that we have talked about today. The whole point here is that we recognise the importance of HEIs, Government and the private sector working together.

[116] **Jane Hutt:** To follow up on David's point, I think that I was also trying to link—as I am sure that this committee has done—to the point that Ieuan made on where we should focus our efforts. On the sector skills councils, and the focus on being employer-led, we need to look at the opportunities there and the direction. We need to look at other examples that are coming through as a result of the third mission funding and the knowledge exploitation fund, for example, SEMTA at the University of Glamorgan, which is the Sector Skills Council for Science, Engineering and Manufacturing Technologies and the innovation project that is developing there for the industrial training programme. That is about enhancing the capacity of HEIs to deliver innovation and management training to small and medium-sized businesses.

[117] The Skillset Screen Academy Wales is a tremendous collaboration between six HEIs to produce industry-ready graduates. We have mentioned aerospace and defence, but there are also a great deal of developments with regard to environment and sustainability. We have identified in our report the collaborative work of the Low Carbon Research Institute and the Climate Change Consortium of Wales, which include the universities of Aberystwyth, Cardiff, Bangor and Swansea. So, we have to look at the strategic approach and what is relevant.

[118] We could not do better, as Ieuan has said, than to get IBM here in terms of the Institute of Life Science. It is about how we build. We do not want to leave things as they are in terms of IBM and we have not had the opportunities in terms of big business, and that comes through in business research and development. We have to exploit those opportunities by showing that Wales is flexible and innovative and I think that that is where we are going. So, it is not just about where we are, because this has to link to the strategic objectives, but it is where we are going.

[119] **Mr Hall:** On David's points, first he talked about the culture that he wishes to be engendered by these new advisory panels. How you described them is exactly what we want the modus operandi to be. We want them to include business people with a profound understanding, not just of the sector, but of business exploitation—people who can go in on day one, roll up their sleeves and ask, 'What research is going on, what sort of intellectual property are you trying to develop here and how can we help you?' So, not to just exploit it in the way that you think, but to step some distance away from it and get perspective—it could be that whole avenues of application could be opened up in that way.

[120] When devising the Academia for Business programme, we drew on the feedback, for example, in the knowledge exploitation fund. Around 1,800 businesses had been involved, who provided feedback, which has been translated into the new fund. They told us that there seemed to be many different initiatives and funds, and that we seem to try to shoe-horn them in, and asked why could we not make them more flexible and more accessible. So, that has been the absolute priority for the A for B programme.

[121] Also, while the staff and academics may have expert research skills, there is also a need—and this was recognised in the HEIs—to build up their capacity and knowledge in how opportunities are commercialised. So that is a major plank of where the funding will go in the future. Furthermore, the Deputy First Minister mentioned the need for different universities in Wales to collaborate with each other, so another thing that will come from the fund is a portal where this research and intellectual property can be recorded, and the information exchange can be tapped into by all the institutions.

10.40 a.m.

[122] The other thing is that we are reorganising how we operate to provide flexible support for businesses. We are not just collapsing the different funds and grants, we have a cohort of relationship managers—the people who interact with businesses and universities—and they will be going through development centres to identify where there are skills gaps for these people to improve their credibility and the advice that they give to business. We have just piloted, and it has now gone live, a customer relationship management system, whereby all of the information that we are getting back from customers can be fed into our relationships, not just with your department, but with other departments and with the higher education institutions, so that they can better gear their research and training to meet the needs of business.

[123] **Gareth Jones:** On behalf of the committee, in terms of the Gibson report, I thank you for your responses, and we appreciate all that we have heard. We also recognise that there is good practice out there; we should not talk down what is happening. However, the Gibson report presented a certain model to us, if I can put it that way, and there was reference to the need for a cultural shift. One practical example is higher education's propensity to hang on to intellectual property rather than to release it to be commercialised as soon as possible. That, to me, signifies a need for a shift in attitude, and possibly culture. The other point that Simon Gibson made quite clearly was that, adopting his model, let us say, would transform—and that was his word, I believe—the economy of Wales in a comparatively short time. Either we

accept that or we do not, but his model needs to be challenged robustly, because, if it holds up, we may well have a winner in Wales. That is why we were so enthused by the report, and why we were disappointed to learn that, to all intents and purposes, a key part of that report had not been acted upon. We have had your response and we appreciate that there is a positive approach towards his ideas, but my feeling, from the Chair, is that we need to engage with him and challenge his statements, beliefs and philosophies, and, who knows, it may well be to the benefit of the people of Wales.

[124] However, we must move on. Again, it has been pleasing that both Ministers have been present for questioning pertaining to that important report and your responses are valued. We will move to Huw Lewis for the next question.

[125] **Huw Lewis:** This question is on perhaps a more prosaic but nevertheless vital issue: the direct economic impact of higher education institutions on the communities in which they are embedded. With that in mind, I would like to probe the worrying, curious omission from your submission to the committee of WAG's commitment to the 0.5 million or so people who are living in the most economically depressed part of the country, namely the northern Valleys, to establish two new universities, essentially, in Merthyr and Ebbw Vale. That has been a long-standing commitment to those people; they have been told directly that their communities will benefit from it. It is a key element of the Head of the Valleys regeneration programme, which would not be nearly as ambitious and important as it is without it. Yet, in your submission, we just have a passing reference to the merger between the University of Glamorgan and Merthyr Tydfil College, which is not the same thing as committing to two university campuses in Merthyr and Ebbw Vale. The submission says nothing about Ebbw Vale at all. Why is it not there? I do not want to indulge in Kremlinology or whatever, but I have often received verbal reassurances from Ministers, officials, and others that this is at the top of the priority list, that it will happen, that it will not be watered down, and that it is fine. However, often, when I see ink on paper, the language that is used tends to be a little more shapeless, let us say, than the verbal commitments. Merging a university and a college is not the same as introducing two new university campuses into a part of the country that is so economically depressed that it acts as a sheet anchor for the rest of Wales—it holds it back. This is an essential element of putting that right. Why is it not there?

[126] **Jane Hutt:** You are right to point to the fact that, as a result of the merger, money has been put in to ensure that there is now higher education provision in Merthyr; however, that does not turn Merthyr into a university town, as you say. There was also a commitment to Ebbw Vale. Both are commitments made by the One Wales Government to the Heads of the Valleys university, which is what the whole picture projects. Interestingly, I had a meeting just before Easter with Blaenau Gwent County Borough Council, where I was given a very impressive presentation about the regeneration opportunities that the Ebbw Vale campus would bring. I have mentioned the third mission input and activities, but this will have a huge impact on the regeneration of Ebbw Vale and Merthyr. As a Minister, I am probably as frustrated as you are that we are not making greater and faster progress, particularly as we have opportunities with convergence funding. I think that you will be glad to hear that I had a meeting yesterday with the Deputy Minister for Regeneration, Leighton Andrews; we agreed that what we need now is to have a task and finish group on the university of the Heads of the Valleys projects schemes for Merthyr and Ebbw Vale, because we need to drive through that joint working. Again, it links up to the Department for the Economy and Transport. We need to pull out all of the stops in terms of delivering on this, because it will also address economic inactivity.

[127] I am also interested in the ideas—though not just ideas; it goes beyond that—on the proximity to the outdoors and the opportunities that we have for outdoor university HE facilities, particularly on the borders of the Brecon Beacons. There are huge opportunities in the Heads of the Valleys in terms of the HE and FE developments. I will not mention 1 May,

but some heads will be knocked together in terms of progressing this. There is interface with FE as well as HE and post-16 education. However, it is the university of the Heads of the Valleys that we are working on. It involves the University of Glamorgan and the University of Wales, Newport working together, which is appropriate. HEFCW is looking at how we can take this forward.

[128] **Huw Lewis:** I am pleased to hear about the task and finish group, which I assume is at ministerial level.

[129] **Jane Hutt:** Yes.

[130] **Huw Lewis:** I am pleased to hear about that, because, as you rightly said, there is a very narrow window of opportunity with regard to convergence funding. Without convergence funding, this would be far more difficult. It is true that, for some years now, there has been a certain amount of treading water on these twin commitments. As you said, the university of the outdoors idea has languished somewhat on shelves—there were very good reports on the potential of opening up the outdoors in the Brecon Beacons and elsewhere in south Wales as a means of transmitting skills and boosting a job market in the outdoor leisure industry, which has been unexploited almost everywhere in the UK. So, I am somewhat reassured. However, I would like to press for a commitment that this is a strategic priority of both Ministers, because, as I say, it did not make it into the document in front of us today. I would have put it in the top three national commitments—this is not a regional commitment, it is a national Government commitment to the Welsh economy. The economy in that sub-region of Wales is so dire that it is as if the entire Welsh economy is walking around with a ball and chain attached to its feet. So, is that commitment in the strategic top three or four, or whatever, and will we see it driven through in the window of convergence?

10.50 a.m.

[131] **Jane Hutt:** I have given my commitment; it is a joint commitment.

[132] **The Deputy First Minister:** It is obviously a Government commitment. What I can say, in addition, is that the terms of reference, if I can use that phrase, of the collaboration between the two departments is at three levels, and basic skills and economic inactivity are key issues for us as well. There are three strands to this—we have talked about one of them earlier today—and the issue of economic inactivity is vitally important; it sits primarily in Jane's department but cannot be delivered without co-operation from Leighton Andrews, the Deputy Minister for Regeneration, and me, as Minister for the Economy and Transport. It is only by working together that we can deliver some of this. The aspirations are there, but you need the delivery and the commitment as well, and the commitment is there.

[133] **Gareth Jones:** So, the task and finish group is being set up and we can look forward to that.

[134] **David Melding:** I now have a focused question, unlike my previous question. As we have the relevant Ministers here, I was disappointed in the Government's response to Leitch in one respect, which was that you have not accepted Lord Leitch's recommendation to shift the benchmark for intermediate skills from level 2 to level 3. Can you reflect on this, given that I think that this committee shares my disappointment? While that cannot be done overnight—the Leitch agenda is to 2020—can you explain why you seem to be setting a lower aspiration for Wales?

[135] **Jane Hutt:** I will start, but I might need to bring Dennis in on this point. You probably scrutinised the Deputy Minister on this issue when you considered 'Skills that Work for Wales'. We have, as you know, recruited Sir Adrian Webb to chair the employment and

skills board for Wales, and we will shortly be announcing the panel. As John said, in response to that question, we want to ensure that our Welsh team have the opportunity to look at this, in terms of what is achievable and what the priorities are. That is no lack of ambition—it is about the realistic opportunities that we have for progression. It is important that it is lodged in a Welsh decision in terms of Welsh priorities. Dennis, do you want to add to that?

[136] **Dr Gunning:** It is important to say that the approach that we have taken in Wales reflects the difference between our approach and the approach in England. England has been much more favourably disposed towards grand global targets, if I can call them that, in the sense that the level 2 approach that Train to Gain offers is very much a global approach. It says that we need to get to that minimum benchmark right across the economy. In Wales, we have tended to do it differently. For example, the workforce development programme that the Department for Children, Education, Lifelong Learning and Skills offers, with strong collaboration with the Department for the Economy and Transport, is not so much targeting a single uniform level; it is saying that the best approach is to target the needs of a business. So, if what that business needs is, for example, literacy and numeracy training for its staff—below level 2—in order to support them in their work, we support that. Equally, if what the business needs is leadership and management training—at level 4 or 5—we also support that. So, our approach has been about targeted support, rather than saying that there is a blanket target right across the economy.

[137] We have had a lot of positive feedback from employers on how well that workforce development programme meets their needs. The approach that we have tried to take has been to say that we will target rather than apply a blanket approach. The consultation on ‘Skills that Work for Wales’ ended on 10 April and we are now evaluating the responses to that. Obviously, if part of that response was to say that we had got it wrong, then we would need to think again. However, so far, all the feedback has been very positive on the approach that we have taken.

[138] **David Melding:** I am grateful for this candour, but I am astonished that we are going to have such low aspirations. The whole point of getting an economy that is more productive and of higher value is to raise the skill levels. As a first phase, I would agree to having a skills strategy that is rooted in basic skills, because we really need to concentrate on economic inactivity and basic skills, but I think that it borders on the dilatory to say that we cannot set targets for intermediate and higher level skills. However, that is my political—

[139] **Gareth Jones:** Thank you, David. Dennis wants to respond to that.

[140] **Dr Gunning:** Sorry, Chair, I just wanted to emphasise that I was not saying, in any way, that we were aiming our skills strategy at basic skills or indeed at level 2. We are aiming our skills strategy at meeting the needs of employers: if employers need level 4 or 5, we support it; if they need level 2 or 3, we will support that.

[141] **Gareth Jones:** That is clear. We will now move on to Jeff Cuthbert.

[142] **Jeff Cuthbert:** In a sense, I would like to build on the points that David alluded to about skills, particularly the higher level skills. On page 4 of the document that you have provided, you have four bullet points that talk about graduate opportunities, for example, the opportunities for work experience, credit-based funding and the credit and qualifications framework—all of which allow people to get bite-sized courses from higher education to enable them to develop in their work. We have heard from many vice-chancellors who have come before us that they are developing bespoke programmes with industry to meet its needs, and I was delighted to hear that. However, one of the key drivers in this should be the sector skills councils. I am particularly pleased that this committee has a joint scrutiny role for both departments, because skills cut right across them. The message that is coming back to us, in

terms of the sector skills councils, is that the provision is rather patchy. We have the sector skills councils before us later this month and I daresay that I will also be putting these questions to them. How confident are you both in terms of the level of development of sector skills councils? I know that we have some very good ones, like the Sector Skills Council for Science, Engineering and Manufacturing Technologies, and ConstructionSkills, which are well ahead of the game, but they have been highly organised for a long time. Nevertheless, the SSCs have been around for a number of years now, there is considerable public investment in them and I trust that there should be industrial support for them, but the message coming back is that provision is patchy. GoSkills launched its Welsh office recently, which is very good news, but what about the rest? How confident are you that the sector skills council framework in Wales is up to the job at this point in time?

[143] **Jane Hutt:** I welcome the opportunity to respond to that, because, as of the end of March 2008, all 25 of the sector skills councils have agreements, including action plans, with our key partners in Wales, not only us as the Government, but HEFCW, Jobcentre Plus, the Wales Trades Union Congress and Careers Wales. Also, Welsh HEIs have substantial engagement with SSCs, which is crucial in terms of knowledge exploitation. I have already mentioned, as has Ieuan, some of the outcomes of those links. I want to reassure you about this because I met Chris Humphries, the chief executive of the UK Commission for Employment and Skills, last year, when I first became Minister for this issue, to be reassured myself that the commission is acting as a UK commission in terms of the SSCs functioning at a UK level, with dedicated personnel working in Wales, supporting Wales. I wanted reassurance that they recognise that they must have robust labour market intelligence and sectoral skills information to help us in terms of our planning and funding methodologies. I am confident that it is moving in the right direction.

11.00 a.m.

[144] I noticed from your response to ‘Skills that Work for Wales’ that you are going to welcome the re-licensing opportunities and we need to ensure that performance in Wales is clearly assessed as a result of that re-licensing opportunity. We should have confidence that we have the right, high-level commitment and agreement of the sector skills councils and that they are linking with HEIs and all our partners and that we can use opportunities like re-licensing to check that out. One other point to make is to understand that Wales is one of only two UK regions where HEIs link with all 25 sector skills councils.

[145] **The Deputy First Minister:** I do not want to add much to what Jane has said except to say that I also have a relationship with them on the links with industry. This is another part of the work that we need to do together, and it is important to recognise that the sector skills councils in Wales have been able to identify key contacts across the HE sector. That relates to some of what you are discussing today.

[146] On the point that was made earlier about employers’ needs, those must be properly identified and, whatever skill level the employer needs, we need to ensure that HE and FE can deliver that.

[147] **Dr Gunning:** Jeff made a point about a credit-based system. We have the credit and qualifications framework for Wales available and it is really important now that we drive that through and get all sorts of providers, higher education employers and others using it, because, as you said, much of the training and skills needs do not require whole qualifications; they may require a lot less than that. It is really important, therefore, that bite-sized learning gets credit in the national system.

[148] **Jeff Cuthbert:** That is a very important point and I agree with it.

[149] Deputy First Minister, one of the reasons why I regard sector skills councils as so important is that, in Wales, as we know, we have a preponderance of SMEs, some of which are very small organisations indeed. They are incredibly difficult to work with, because of manpower limitations, but they have development needs, some of which are to do with higher-level skills. That is why it is so important that the sector skills framework is robust enough to cope with organising the occupational areas properly. I cannot think of any other organisation that can do that, other than sector skills councils. I do not want to repeat my question but I hope that you sense my urgency and the importance of ensuring that, across the framework of 25, there is a robust system that meets the needs of small employers, not just the big boys.

[150] **The Deputy First Minister:** I very much agree with that, because identifying the skill needs of the economy as a whole is vital. In addition to the SSCs having links with HEIs, some of them—and it may be important for me to clarify which ones in particular, so that the community is aware of this—cover sectors where there are large numbers of SMEs, and they have established very strong links with the sector through trade associations, which often speak on behalf of a sector. That then identifies needs across a particular sector, because some companies are quite small and, therefore, not able to have the links that the larger companies have. So, trade associations and trade unions are important. I will ask for a further note to be sent to the committee to establish which SSCs have those strong links, and we may be able to identify those that perhaps need to up their game a bit.

[151] **Dr Gunning:** Just to add to that, it is important that we look at this in combination. The sector skills councils deal with a specific sector and, in an area where there are hundreds if not thousands of small and medium-sized enterprises, it is really difficult for any sector-based organisation, even the experienced ones like SEMTA, to bring everyone in. However, we have the advantage of working alongside our colleagues in the Department for the Economy and Transport, because their customer relationship managers can access small and medium-sized businesses and, therefore, can direct skills support to them in a way that the sector skills councils, by their nature, will find difficult to do. So, we need to make a combination of efforts and they all come together through the Wales employment and skills board.

[152] **Janet Ryder:** The people at the White Rose Centre for Excellence in Teaching and Learning in Enterprise in York seemed to be saying that it was not actually the sector skills councils identifying the skills and then putting on the courses that was helpful at all; what was helpful was that the businesses they worked with or the ones that had come to them had realised that they could provide the research capacity that small businesses could not, and, having built up a relationship with them, then identified their own needs for human resources training and continual professional development training. The biggest growth in the University of York's income—which was phenomenal growth—came from meeting that demand, and purely from personal contacts. For me, it takes the whole thing full circle. It goes along with how you match business support and develop it at the heart of the university, as well as how universities are seen to be an asset to businesses in their community, and how they can support those businesses. Those businesses, in return, create income and business for the university. From the evidence that I have heard so far, that seems to require a total culture change, which we do not seem to be working on here. We have heard some evidence that it might be starting, but it requires a totally different attitude from the higher education institutions. How will we get to that stage, either through the Higher Education Funding Council for Wales and its funding, or through the direction that you give to universities?

[153] **Jane Hutt:** That is an important question, and is a different angle to Jeff's point about the effectiveness of sector skills councils, though it links back to some of our earlier points. I mentioned the third mission funding and GO Wales, and particularly how universities need strategic contacts with local businesses and the community to deliver, but I

think that we are seeing positive outcomes across Wales. However, we need to have the levers to change that culture, as you said. Funding is one such lever, and the £6 million that we have through the third mission funding and the knowledge exploitation fund will be levers for HEIs to look at that local business partnership growth, which we see particularly with small and medium-sized enterprises.

[154] **Janet Ryder:** One of the recommendations of the Gibson report, out last week, was for HE funding to be withheld until it could be matched with private investment. Are you thinking about that at all?

[155] **Jane Hutt:** Driving this forward is about using levers, and taking a carrot-and-stick approach. Certainly, those are the kinds of recommendations that we need to look at more carefully.

[156] **Gareth Jones:** We are running significantly over time. Sandy, did you have a question?

[157] **Sandy Mewies:** Yes, on techniums. Professor Board was here last week, and he is one of the people who came up with the original technium idea. While he and the others on the Gibson group felt that they were successful in part, there was also some concern that they could not access data, because the data did not seem to be there. A review is under way, I understand. However, the original concept of the techniums seems to have gone slightly awry, in that, instead of being a stream, it has become more of a property base. Do you have any thoughts on that, Deputy First Minister, and are you reviewing it at the moment?

[158] **The Deputy First Minister:** Yes, that is the case. First, it is necessary for us to establish that the concept of techniums is sound. There are some examples of excellent working, and some that are perhaps not so good. It is a bit of a mixed picture, and we accept that, which is why I think it necessary for us to have a review.

11.10 a.m.

[159] I have visited most of the techniums, and so I know that some excellent work is being done by some of them. I will ask Gareth to elaborate on some of the detail of the review, but one area that we need to look at is the idea that companies that come out of universities establish themselves in a technium and then move on. The question then is how do they move on? We have not quite been successful enough in moving on with the investment in the business. That is clearly one area that we need to look at. However, there is some excellent work going on. Gareth, do you want to talk about the way that the department wants to see the review taken forward?

[160] **Mr Hall:** It was me, Professor Ken Board and Professor Marc Clement who dreamed up the idea of techniums back in 2000. As the Deputy First Minister said, the original concept holds true, but there are aspects of it that have perhaps taken a back seat and need to be brought to the fore. We set up the techniums as a hothouse environment in which people could come with their good ideas, and as a place where they could grow and prosper. The techniums occupy top-class accommodation, and I think that Professor Board is right to say that the emphasis was on the accommodation. Companies will tell you that they have got into the supply chain only because of the quality of the premises—when you have big companies coming to see you, that first impression means a lot.

[161] I think that the emphasis needs to shift in two ways, and this is directly in line with the Gibson report's recommendations, as well as the evidence of the ministerial advisory group, which visited most of the techniums. There are two things that we need to focus on. One is the robustness of the criteria used to select which companies go into the techniums,

and the second is the support available to them once they are in. There are existing panels to consider the business plans of companies going into the techniums, and, to go back to the discussion about advisory boards, there might be a role for those boards or similar boards. They could take a detached view and really get under the skin of the businesses, asking about the companies' aspirations for the next generation of businesses. Will they move beyond employing just 10 people to 100, or 150 people? Are they aspiring to go to an initial public offering, or to be listed as a public company?

[162] **The Deputy First Minister:** As some have, of course.

[163] **Mr Hall:** Yes, and we have spoken to the ones that have. Enfis Ltd, for example, said that it was great to have that kind of accommodation in Swansea, but the best business support that we gave to it was expert tuition on presenting to the City to attract money. When a small company goes to the City, it gets just a quarter of an hour to pitch its case, so that kind of support was nothing to do with facilities or the quality of the accommodation. We need to gear our business support towards making a difference to those businesses. There is a cultural issue, and that came to the fore in the recommendations of the ministerial advisory group. How do we get these companies aspiring to be the next generation of medium-sized businesses? Are they looking outside the box, as David mentioned? A lot of these people get into a comfort zone, and then they do not look for opportunities beyond their traditional boundaries.

[164] The other big point is that venture capital needs to be introduced. When we originally thought up the concept, we wanted a technium venture capital fund. There is a filtering process that makes those sorts of businesses attractive to venture capitalists, but the work that we are doing with the European Investment Bank, and with Finance Wales, aims to get money into small businesses particularly by making these companies' ideas presentable, so that they can attract finance. That is where a lot of the energy must go for the future.

[165] **The Deputy First Minister:** Just to add to that, Gareth mentioned persuading companies currently employing 10 staff to grow to employ 100 staff. We currently have 89 companies housed in technium buildings with 750 people working for them, so imagine the potential for growth in some of those. It is absolutely enormous, and the review will need to give a lot of impetus to that.

[166] **Mr Hall:** As an example, companies graduated from Technium 1 in Swansea to Technium 2, and three of those companies are now going into a new building opposite the original site, which has attracted European funding. However, they have also invested their own money in the expansion of the premises. We have just agreed the terms of reference of the economic research advisory panel, which will conduct a thorough review and benchmarking exercise on the technium concept. I do not know when that is going out to tender.

[167] **Mr Price:** Probably in the next six months.

[168] **Mr Hall:** So, that report will be concluded in six months.

[169] **Kirsty Williams:** Despite Dr Gunning's best attempts to explain, I do not know why the Government thinks that supporting businesses' training needs individually prevents it from setting a wider target for the skills that the Welsh economy should be aiming for. Are we not condemning ourselves to a lifetime of being the poor relation of England, let alone of anywhere else?

[170] I would be interested to hear the Minister's views on foundation degrees. She says that she values them in the paper, and yet the evidence that we received from the Deputy

Minister was ambivalent on the role of foundation degrees. Can she clarify her view of the role of foundation degrees and how she sees them being implemented in Wales, as well as the collaboration between higher and further education? In addition, she will be aware of the consultation in England on two-year degrees; is it her intention to launch a similar consultation exercise in Wales?

[171] **Jane Hutt:** In the written evidence, I said that we recognise the value of foundation degrees, because they meet businesses' needs for high-level qualifications and they balance academic standing with what is relevant to businesses and the workplace. We have now had the consultation responses to 'Skills that Work for Wales', and we will be moving forward with the skills and employment action plan for Wales. We are positive about foundation degrees and about the collaborations that are taking place under the existing arrangements between HE and FE. We wanted to await the outcome of the Webb review and the 'Skills that Work for Wales' consultation before moving forward with our next plans for foundation degrees, but we are certainly positive about them. I hope that that gives you some reassurance, Kirsty.

[172] **Kirsty Williams:** What about two-year degrees?

[173] **Jane Hutt:** That will progress in line with the response to 'Skills that Work for Wales', but the role and place of foundation degrees are probably our first port of call, and we will then look at whether we need to take forward our consideration of the two-year degree.

[174] **Gareth Jones:** Diolch yn fawr ichi. **Gareth Jones:** Thank you very much. I will Yr wyf am ddirwyn y cyfarfod i ben yn awr now bring the meeting to a close by—drwy—[*Torri ar draws.*] Alun, cewch ofyn [Interruption.] Alun, you may ask a brief un cwestiwn byr. question.

[175] **Alun Cairns:** I require brief answers to some straightforward questions, if that is okay, and they have a common theme, namely the funding formula. Are there any plans to change the funding formula for higher education institutions, bearing in mind the basis on which it stands at the moment? Are you confident that the Assembly Government has the financial capacity to drive through the changes that it seeks to deliver, bearing in mind the tight financial settlement over the next three years, including this year? What plans are in place to use the funding formula to focus on the needs of students in entrepreneurship terms? For example, at Massachusetts Institute of Technology, every student is aware of some competition offering a significant amount of money that would support their business prospects. Would you consider that sort of thing here? Finally, what is your view about directing funding towards entrepreneurship as a module of many university courses?

[176] **Jane Hutt:** This will have to be a quick response. There are no plans to change the funding formula at this time. We have been presented with a difficult settlement under the comprehensive spending review, but we have convergence funding in Wales, which is not available to other parts of the UK—

11.20 a.m.

[177] **The Deputy First Minister:** Many of our HEIs are included.

[178] **Jane Hutt:** Yes, absolutely. We also have an opportunity through our new strategic capital investment board, and so there are some new vehicles and new funding opportunities. We want to do this in any way that we can, and so I would be interested in hearing about the experience at MIT, to see how we can promote entrepreneurial opportunities for HE and links to SMEs. However, to go back to the beginning, when we looked at the higher education business and community interactions survey data for Wales, we see that we are not doing too

badly, with 5 per cent across the UK for HE and 6.8 per cent spin out from graduate involvement in SMEs. So, we have a good record as far as that is concerned. However, we could always learn from what is going on across the pond.

[179] **Gareth Jones:** Gobeithiaf fod hynny hefyd yn wir am yr adroddiad y byddwn yn ei gyflwyno. Dyna'r sylw olaf yn sicr. Ar ran y pwyllgor, diolchaf i'r Gweinidogion a'r swyddogion am eu sylwadau a'u hatebion. Mae'n faes allweddol i ni yng Nghymru a derbynaf ei fod yn her i'r Llywodraeth. Mae'n her i'r pwyllgor hefyd wrth geisio craffu o ddifrif ar y maes pwysig hwn. Yr ydym yn ddiolchgar i chi am eich amser. Yr ydym ryw 20 munud yn hwyr, ond mae'r drafodaeth wedi bod yn werthfawr ac o fudd i ni o ran gweithgarwch y pwyllgor. Diolch yn fawr iawn i chi.

Gareth Jones: I hope that that is also true for the report that we will be presenting. That is definitely the last observation. So, on behalf of the committee, I thank the Ministers and their officials for their comments and their responses. This is a key area for us in Wales, and I accept that it presents a challenge to the Government. It is also a challenge for the committee to try to scrutinise this vital area in depth. We are grateful to you for your time. We have run around 20 minutes late, but the discussion has been valuable and of benefit to us with regard to the committee's work. Thank you very much.

[180] **Y Dirprwy Brif Weinidog:** Hoffwn ddiolch i chi hefyd am y cyfle i ateb eich cwestiynau. Yr oeddem yn falch o gael y cyfle i wneud hynny ar y cyd i ddangos ein hymrwymiad i'r pwnc. Yr ydym bob amser yn edrych am syniadau diddorol, newydd ac arloesol. Yr wyf yn siŵr y bydd syniadau yn dod gan y pwyllgor, ac yr ydym yn agored i'ch syniadau ac i'r gwaith yr ydych wedi'i wneud.

The Deputy First Minister: I also want to thank you for the opportunity to respond to your questions. We were pleased to have the opportunity to do that together to show our commitment to the matter. We are always looking for new, interesting, and innovative ideas. I am sure that ideas will come forth from the committee, and we are open to your ideas and to the work that you have undertaken.

[181] **Gareth Jones:** Mae hwnnw'n werth ei glywed. Edrychwn ymlaen at eich adroddiad pellach am adroddiad Gibson, Ddirprwy Brif Weinidog. Dyna ddiwedd ein cyfarfod. Diolch yn fawr iawn.

Gareth Jones: That is worth hearing. We look forward to your further report on the Gibson report, Deputy First Minister. That is the end of our meeting. Thank you very much.

*Daeth y cyfarfod i ben am 11.22 a.m.
The meeting ended at 11.22 a.m.*