



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

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

**Dydd Iau, 11 Mawrth 2010
Thursday, 11 March 2010**

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

Christine Chapman	Llafur Labour
Jeff Cuthbert	Llafur Labour
Andrew Davies	Llafur Labour
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Nerys Evans	Plaid Cymru The Party of Wales
Brian Gibbons	Llafur Labour
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Chair of the Committee)
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Phil Fiander	Cyfarwyddwr Menter ac Adfywio, Cyngor Gweithredu Gwirfoddol Cymru
Rob Hunter	Director of Enterprise and Regeneration, WCVA Cyfarwyddwr Ariannol a Rheoli Rhaglenni, Swyddfa Cyllid Ewropeaidd Cymru Director of Programme Management and Finance, Welsh European Funding Office
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, Plaid Cymru (The Deputy First Minister and Minister for Economy and Transport)
Eleanor Marks	Cyfarwyddwr, De Ddwyrain Cymru a Seilwaith Director, South East Wales and Infrastructure
Damien O'Brien	Cyfarwyddwr, Swyddfa Cyllid Ewropeaidd Cymru Director, Welsh European Funding Office
Judith Stone	Rheolwr, Tîm Ewropeaidd y Trydydd Sector (3-SET), Cyngor Gweithredu Gwirfoddol Cymru Manager, Third Sector European Team (3-SET), WCVA
Tessa White	Rheolwr y Porth Ymgysylltu a Grantiau, Cyngor Gweithredu Gwirfoddol Cymru Engagement Gateway and Grants Manager, WCVA

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Cynghorydd Cyfreithiol Legal Adviser

Siân Phipps	Clerc
	Clerc
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau
	Members' Research Service

Dechreuodd y cyfarfod am 9.27 a.m.
The meeting began at 9.27 a.m.

Cyflwyniad ac Ymddiheuriadau **Introduction and Apologies**

[1] **Gareth Jones:** Bore da a chroeso i gyfarfod y Pwyllgor Menter a Dysgu. Cychwynnaf drwy wneud y cyhoeddiadau arferol. Mae'r cyfarfod yn ddwyieithog. Mae clustffonau ar gael i glywed y gwasanaeth cyfieithu ar y pryd o'r Gymraeg i'r Saesneg ar sianel 1, ac i chwyddleisio'r sain ar sianel 0. Bydd cofnod o'r cyfan a ddywedir yn gyhoeddus. Fe'ch atgoffaf i ddiffodd ffonau symudol ac unrhyw ddyfais electronig arall, os gwelwch yn dda. Ni fydd angen inni gyffwrdd â'r meicroffonau yn ystod ein trafodaethau. Nid ydym yn disgwyl ymarfer tân, felly os bydd y larwm yn canu, rhaid inni symud o'r ystafell ac efallai o'r adeilad dan gyfarwyddyd y tywyswyr.

Gareth Jones: Good morning and welcome to this meeting of the Enterprise and Learning Committee. I will begin by making the usual announcements. This meeting is bilingual. Headsets are available to receive the simultaneous translation from Welsh into English on channel 1, and to amplify the sound on channel 0. There will be a record of all that is said publicly. I remind you to please turn off mobile phones and any other electronic devices. There is no need for us to touch our microphones during our deliberations. We are not expecting a fire drill, so if an alarm sounds, we will have to leave the room and perhaps the building, following the ushers' instructions.

[2] Nid oes ymddiheuriadau, felly nid oes dirprwyon. Gwahoddaf Aelodau i ddatgan unrhyw fuddiannau, cyhyd â'u bod yn berthnasol i'r hyn sydd o dan ystyriaeth heddiw. Mae Jeff Cuthbert wedi egluro y bydd yn absennol o'r sesiwn gyntaf, pan fyddwn yn craffu ar Lywodraeth Cynulliad Cymru, gan ei fod yn gadeirydd Pwyllgor Monitro'r Rhaglen, sy'n monitro rhaglen y cronfeydd strwythurol. Bydd yn ymuno â ni ar gyfer y sesiwn gyda Chyngor Gweithredu Gwirfoddol Cymru. Felly, mae Jeff Cuthbert wedi datgan buddiant.

There are no apologies this morning, so there are no substitutions. I invite Members to declare any interests, provided that they relate to the matters under consideration today. Jeff Cuthbert has explained that, as he is chair of the Programme Monitoring Committee, which monitors the structural funds programme, he has absented himself from the first session, when we will be scrutinising the Welsh Assembly Government. He will join us for the session with the Wales Council for Voluntary Action. So, Jeff Cuthbert has declared an interest.

[3] **Andrew Davies:** I declare an interest in that, as a former Minister, I was a member of the Cabinet sub-committee on structural funds, and also, as a former Minister for finance, I was responsible for the targeted match funding pot.

[4] **Brian Gibbons:** I declare that I was also a member of the Cabinet sub-committee on structural funds.

[5] **Gareth Jones:** Diolch am y datganiadau hynny. **Gareth Jones:** Thank you for those declarations.

9.29 a.m.

Cronfeydd Strwythurol: Gweithredu Rhaglen 2007-13
Structural Funds: Implementation of the 2007-13 Programme

[6] **Gareth Jones:** Dyma'r drydedd sesiwn yn ein hymchwiliad newydd i weithredu'r rhaglen cronfeydd strwythurol yn y blynyddoedd 2007-13. Mae'n bleser gennym estyn croeso i gynrychiolwyr Llywodraeth Cynulliad Cymru sef Ieuan Wyn Jones, y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth, Eleanor Marks, cyfarwyddwr yr is-adran dros dde-ddwyrain Cymru a seilwaith, Damien O'Brien, cyfarwyddwr Swyddfa Cyllid Ewropeaidd Cymru—ac yr ydym wedi clywed llawer o sôn am y swyddfa yn ein trafodaethau a'n hymchwil—a Rob Hunter, cyfarwyddwr ariannol a rheolwr rhaglenni y swyddfa. Ar ran y pwyllgor, diolch ichi am eich tystiolaeth ysgrifenedig. Bu'n ddefnyddiol iawn, ac yr ydym wedi cael cyfle i'w darllen yn ofalus.

9.30 a.m.

[7] Gofynnaf ichi wneud cyflwyniad byr o ryw bum munud, Ddirprwy Brif Weinidog, os dymunwch wneud hynny. Trown wedyn at yr Aelodau ar gyfer y cwestiynau.

[8] **Y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth (Ieuan Wyn Jones):** Diolch, Gadeirydd. Yr ydym yn falch iawn o'r cyfle i ddod yma i gyfrannu at eich ymchwiliad i'r maes hwn. Fel y dywedasoch, y Llywodraeth ac, yn fwy penodol, WEFO, sy'n rhan o fy adran, yw'r awdurdod rheoli ar gyfer pedair prif raglen y cronfeydd strwythurol yng Nghymru. Yr ydym yn gweinyddu'r rhaglen drwy broses o reoli ar y cyd â Chomisiwn Ewrop, ac mae gennym hawl i roi rhaglenni ar waith yn unol â chanllawiau a rheoliadau'r comisiwn.

[9] Mae'n bwysig dweud ar y dechrau bod y strategaeth ar gyfer y rhaglenni yn unol â strategaeth Lisbon a Gothenburg, a fabwysiadwyd gan yr Undeb Ewropeaidd er mwyn creu swyddi a hyrwyddo twf cynaliadwy. O ganlyniad, mae'r rhaglenni'n mynd i'r afael â'r her sy'n wynebu economi Cymru, maent yn helpu'r economi i fod yn fwy cystadleuol, ac maent yn manteisio ar

Gareth Jones: This is the third session in our new inquiry into the implementation of the structural funds programme for the years 2007-13. It is a pleasure to welcome the representatives of the Welsh Assembly Government namely Ieuan Wyn Jones, the Deputy First Minister and Minister for the Economy and Transport, Eleanor Marks, the director of the south-east Wales and infrastructure branch, Damien O'Brien, the director of the Welsh European Funding Office—and we have heard a great deal about WEFO in our discussions and research—and Rob Hunter, the director of finance and programme manager at WEFO. On behalf of the committee, I thank you for your written evidence. It has been very useful, and we have had the opportunity to read it carefully.

I ask you to make a short introduction of around five minutes, Deputy First Minister, if you wish to do so. We will then turn to the Members for questioning.

The Deputy First Minister and Minister for the Economy and Transport (Ieuan Wyn Jones): Thank you, Chair. We are pleased to have the opportunity to come to contribute to your inquiry in this area. As you said, the Government and, specifically, WEFO, which is a part of my department, are the managing authority for the four main structural funds programmes in Wales. We administer the programme through a process of joint management with the European Commission, and we have the right to implement programmes in line with commission rules and regulations.

It is important to say at the outset that the strategy in place for these programmes is in line with the Lisbon and Gothenburg strategies, which were adopted by the European Union to create jobs and promote sustainable growth. As a result, these programmes tackle the challenges facing the Welsh economy, they help the economy to be more competitive, and they take advantage of

unrhyw gyfle i hyrwyddo twf a datblygiad. Maent hefyd yn cyd-fynd â blaenoriaethau'r Llywodraeth, sef creu swyddi, ysgogi menter, tyfu busnesau, gwella sgiliau ac yn y blaen.

any opportunity to promote growth and development. They are also in line with Government priorities, namely generating jobs, encouraging innovation, promoting business growth, improving skills and so on.

[10] Yr ydych wedi cael manylion yn y dystiolaeth ysgrifenedig o ran ble yr ydym arni o safbwynt y cronfeydd strwythurol, ac felly ni raid imi siarad mewn gormod o fanylder am hynny. Mae'n siŵr y bydd cwestiynau wedyn am hynny. Fodd bynnag, gallaf ddweud bod £1.1 biliwn wedi'i neilltuo ar gyfer 156 o brosiectau o ansawdd uchel, a bod gwerth y buddsoddiad yn cyfateb i £2.3 biliwn. Yr ydym wedi sôn yn y dystiolaeth am ganlyniad hynny o safbwynt creu swyddi ac yn y blaen.

You have received details in the written evidence of where we are in respect of the structural funds, and so I do not have to go into too much detail on that. I am sure that there will be questions on that later. However, I can tell you that £1.1 billion of European funding has been committed to 156 high-quality projects, and that the value of that investment comes to a total of £2.3 billion. We have set out in the evidence the outcomes of that in respect of job creation and so on.

[11] Mae'n bwysig dweud bod y cronfeydd yn cael eu gweithredu ar hyn o bryd mewn amgylchedd economaidd hynod anodd. Bu'r cronfeydd strwythurol o gymorth inni oresgyn rhai o'r problemau a ddaeth yn sgîl y dirwasgiad. Yr ydym wedi creu cynlluniau newydd, fel ProAct, ac wedi ychwanegu at gynlluniau a oedd ar waith yn barod, fel ReAct. Yr ydych wedi cael manylion ynghylch nifer y busnesau a'r gweithwyr sydd wedi'u helpu drwy'r prosesau hynny.

It is important to say that the funds are currently being administered in an extremely difficult economic climate. The structural funds have been of assistance to us in overcoming some of the problems that we experienced as a result of the recession. We have created new schemes, such as ProAct, and we have added to existing schemes, such as ReAct. You have received details of the number of businesses and employees assisted through those processes.

[12] Gallwn ddefnyddio'r cronfeydd hyn mewn ffordd mwy arloesol nag erioed o'r blaen, a hynny'n rhannol oherwydd inni gael arian o gronfa JEREMIE—cyd-adnoddau Ewropeaidd ar gyfer busnesau micro i ganolig eu maint. Mae'r gronfa honno werth £150 miliwn dros gyfnod y rhaglen, a bydd o gymorth mawr i fusnesau gael benthg arian drwy Cyllid Cymru.

We are able to use these funds in a more innovative way than ever before, which is partly down to the fact that we have received funding through JEREMIE—joint European resources for micro to medium enterprises. That fund is worth £150 million over the period of the programme, and being able to borrow money through Finance Wales will be of great assistance to businesses.

[13] Nid ydym yn rhoi'r rhaglenni hyn ar waith ein hunain; mae angen partneriaid arnom, ac maent yn dod â'u syniadau â'u hegri i'r broses hon. Mae'n bwysig gwneud y pwynt bod cynlluniau'r gronfa gydgyfeiriant wedi'u gosod mewn cyd-destun llawer mwy strategol a strwythurol na chynlluniau Amcan 1. Cyn y cyfarfod, gofynnais faint o brosiectau yr ydym yn disgwyl iddynt gael eu cymeradwyo o dan y cronfeydd strwythurol, a'r ateb oedd tua 300. O dan yr hen gronfa, sef Amcan 1, yr oedd 3,000 o brosiectau. Felly, yn awr, mae llawer o brosiectau mwy,

We do not implement these programmes ourselves; we need partners to do that, and they bring their ideas and their energy into the mix in this process. It is important to make the point that the schemes under convergence funding have been placed within a far more strategic and structured context than was the case with Objective 1. Before the meeting, I asked how many projects we expect to be approved under structural funds, and the answer was around 300. Under the old fund, namely Objective 1, there were 3,000 projects. Therefore, now, there are

a mwy strategol. Mae sawl un yn teimlo nad ydynt wedi gallu gwneud ceisiadau eu hunain, ond maent yn gallu elwa o'r prosiectau mwy strategol, fel y gallwn drafod, efallai, wrth inni fynd drwy'r cwestiynau.

many larger and more strategic projects. Some people feel that they have not been able to make their own bids, but they are able to benefit from the more strategic projects, as we may be able to discuss as we go through the questions.

[14] **Gareth Jones:** Diolch ichi am y cyflwyniad hwnnw. Trof at David Melding am y cwestiwn cyntaf.

Gareth Jones: Thank you for that introduction. I turn to David Melding for the first question.

[15] **David Melding:** Thank you, Chair. I wish to look at the process of allocating these funds and whether the process has been brisk enough, especially given the intention of the Welsh Assembly Government to bring forward as much expenditure as possible in response to the recession, an issue that you just touched on. It seems that with European regional development fund convergence programme, we have a commitment rate of 45 per cent, and we are approaching the halfway point of the project. Those are the committed funds. I calculate that the actual funds that have been spent to date to be between 16 per cent and 17 per cent. That is the expenditure. Even in terms of commitment, ERDF convergence accounts for the lion's share of this programme, and the commitment rate at the moment is 45 per cent.

[16] To balance my comments, I will say that the other programmes are doing better. In a way, however, that leads me to ask why this particular strand is so different and behind the pace of the others. There could be reasons, and I would like Members to realise that the competitiveness strand in the ERDF is at well over 50 per cent in terms of commitment. With the European social fund convergence, there is a commitment rate of about 75 per cent so far, which is much better. Competitiveness under that strand is better still, at about 80 per cent or more. I am curious as to why there is a difference. I suppose my strategic questions are: has there been a problem with project length and has that had an effect? Also, since you have to spend so much of this money in the next three years, although I realise that there may be some overhang, might that affect some of the qualities of the projects that are now going to come forward in ERDF convergence?

[17] **The Deputy First Minister:** I can say that the recession has had an impact on some of the projects, and that these have tended to be on the ERDF end because they tend to be capital projects that need match funding. They have proven to be the most difficult ones to deliver during a recession. I think that that is a fairly obvious statement to make.

[18] With ESF, on the other hand, those projects tend to lean more towards skills and training, and they have been of great use during the recession. So, where you have seen one stream moving ahead, as it were, because people have wanted to tap into the help that is available through ESF, the ERDF projects, which tend to be more about capital, have tended to lag a little bit during the recession. Perhaps the lack of match funding for some of those capital projects has delayed them. I will ask Damien to add some information about the process as he sees it from inside WEFO. Nevertheless, even though ERDF projects are moving at a slower pace, if you like, we are still confident that the commitment levels and the N+2 commitments will be delivered, although it is extremely challenging.

[19] **Mr O'Brien:** I will comment briefly on both commitment and spend. Clearly you need to get commitment levels up early on in the programme period to deliver the spend because there is always a time lag. We set ourselves a target of achieving a 50 per cent commitment level across all programmes by the end of last year, and we achieved that. We did not in respect of the ERDF convergence, for the reasons that the Deputy First Minister outlined. The ERDF always tends to lag. The reason it does not lag in competitiveness is because there is very little capital spend, as it is a much smaller programme. With the ERDF

convergence programme, there is still significant capital spend on investments like transport and business premises. It takes time for that to come through. By the time we report to the next programme monitoring committee at the end of this month, we anticipate that the ERDF convergence programme will have hit a commitment rate of just under 60 per cent, and our expectation for programme spend by the end of this year is around the £450 million mark. So, it will ramp up, and that is the nature of the programmes.

9.40 a.m.

[20] **David Melding:** If I may press this point, ERDF convergence is 55 or 60 per cent of the overall EU funding programme, by my rough and ready calculations—you might have the specific figures. Given that the Welsh Assembly Government said at the beginning of the economic recession that it wanted to bring forward as much capital spend as possible—and in fact, in terms of the capital that you control in the block grant you have moved to do that—some of us would find it surprising that we have not seen more action. I remind you that the spend is still 16 or 17 per cent. Am I right, or has more been spent, and I am way off? We are halfway through the programme.

[21] **Mr O'Brien:** We can report on the money that projects claim from WEFO. Most of the projects that are spending money on the ground, all the time, only claim money from WEFO on a quarterly or six-monthly basis. So, the spend figures will already be higher than that. We are up to—Rob, do you want to go through this?

[22] **Mr Hunter:** The precise figure is that we have spent £186 million. You are right that that is a very small percentage of the overall allocation. The way that the N+2 targets work, which are the commission targets that we are set, are that they start very low and then they increase quite a bit over the following years. That is specifically to allow time to get these projects organised and approved, and then to start to deliver spend. In the next two months, we anticipate claims coming through from projects for a further £80 million, and the run rate for the rest of this year is around £40 million per month. You are absolutely correct that ERDF is the tough one in terms of the N+2 targets. In WEFO, in terms of financial management, we devote the majority of our time to those programmes. We have a monthly review of everything that has been approved, everything in the pipeline, and ideas that could be turned into good projects that could deliver spend. So, we are looking at those constantly. Another strand consists of approved projects; it is one thing to commit, but it is another thing to get them to spend. We are working closely with local authorities and WAG departments to ensure that their projects do not slip, and that expenditure profiles are sensible. We have been doing that for about eight months, and it has made radical difference to the way that they are spending against the commitments.

[23] **Gareth Jones:** David, before you go on to your second question, I believe that Brian, Christine and Andrew want to come in on this specific point.

[24] **Brian Gibbons:** Just to follow up on that point, I understand where David is coming from, but I suppose that, in fairness, when we had the evidence from the commission, it seemed to be fairly—

[25] **David Melding:** I tried to balance my remarks.

[26] **Brian Gibbons:** Yes, I will give you 100 per cent for your balanced assessment.

[27] **Gareth Jones:** He is always balanced.

[28] **David Melding:** I will take a gold star. [*Laughter.*]

[29] **Brian Gibbons:** The figures were put to the commission's representatives and they seemed fairly relaxed about them, which was reassuring, although I can certainly understand where David is coming from with his line of questioning. However, following on from that, you mentioned the ERDF, and I think that the Deputy First Minister mentioned targeted match-funding, looking at the targeted match funding for the spend, or the commitment and spend, is there a figure there of £44 million—

[30] **The Deputy First Minister:** I think that it is £44 million, yes.

[31] **Brian Gibbons:** Is that £44 million against the 50 to 60 per cent of commitment? Obviously, if it is only £44 million against commitment, and you have £350 million in the targeted match fund over the duration of the programme, then there is a big reservoir of match funding waiting to be drawn down, which would fit into the requirement for the ERDF programme, which I think would give reassurance to David. Could you clarify something? When we speak of the targeted match funding, is that money against the commitment, or is it against the spend?

[32] **Mr O'Brien:** It is commitment.

[33] **Brian Gibbons:** Right. The point that I am making is that, so far, although we have probably gone well over 50 per cent in terms of commitment in total, we have spent only about 13 per cent of the targeted match funding.

[34] **The Deputy First Minister:** We must also stress that that is a match funding pot of last resort. Most of the match funding will come from other sources.

[35] **Brian Gibbons:** Yes, but the point I am trying to develop is that one of the key messages in your paper, from the commission and from elsewhere is that, in a time of recession, we may struggle to deliver the programme. One of the arguments was that the public funding would not be available, and that, as a consequence, one of the big areas where public funding would not be available was match funding. However, on the basis of these figures, we do not seem to be drawing down very much targeted match funding if the figure is only 13 per cent and we are over halfway through. Are you able to give an assurance that, on the basis of the way that things are going at the moment, targeted match funding will not be a substantial issue? Or is that just because of the profile? In other words, we are on the ESF programme, which tends to generate its own match funding, but when we come to the capital—

[36] **The Deputy First Minister:** Actually, there is quite a lot of ERDF that will find its own match funding as well. The vast majority of match funding is not targeted match funding.

[37] **Brian Gibbons:** I do not know whether I was clear. The point is that, notwithstanding the economic crisis, there seems to be a hell of a lot of head space for targeted match funding.

[38] **The Deputy First Minister:** Yes, there is. That is correct.

[39] **Brian Gibbons:** There is quite a substantial amount, so that should not be a brake on the role of Government.

[40] **The Deputy First Minister:** There has been an allocation of TMF and there is still a lot of money left in the pot.

[41] **Gareth Jones:** Andrew, do you want to add anything to that?

[42] **Andrew Davies:** I just wanted to say that my experience was that there was no shortage of match funding. In fact, there were relatively few applications for targeted match funding. So, match funding was not an issue, and it was not really connected to the recession; this predated the recession.

[43] **Gareth Jones:** We will move on to David's second question.

[44] **David Melding:** Incidentally, I agree with Dr Gibbons. With regard to due diligence, there is great evidence that that has been handled to the commission's satisfaction. However, I suppose that what I am saying is that many of these rules were developed before the recession started and before there was such a need to bring some projects forward more quickly. I wonder whether the shift in the focus of the programme to larger strategic projects has been something of a drag on quick allocation and spending. I wonder whether you have had to wait because you are dealing with larger strategic projects, which are inevitably more often led by the Welsh Assembly Government incidentally. Has that had an effect on the programme? Has what has happened economically had an effect, which I acknowledge you could not have anticipated? Looking at the whole programme and the evidence we have received so far, there has been some frustration about the inability to adapt and move more quickly.

[45] That brings me to my final point about the legacy of this spending. Are we going to spend the vast majority of these funds or do we already anticipate that, given what there is left to do in three years and the permitted overrun, we are going to get through and use the money effectively, leaving an effective legacy?

[46] **The Deputy First Minister:** I wish to deal with the levels of commitment and spend first. With regard to commitment, we are comparing very favourably with where we were in terms of the Objective 1 programme. I do not think that the fact that there have been more strategic projects has stopped people coming forward with ideas. It is true to say that some people who previously secured money under Objective 1 are finding it more difficult, as they see it, to access funding under the convergence programme. However, the reality is that there is room for them to come in even under those strategic projects. That is particularly the case for third sector organisations, which can come in through larger projects that are more regionally based than locally based. Some of the evidence that you have received has shown that some people felt unable to access convergence funding in the way that they accessed Objective 1 funding. Perhaps Damien can explain that.

9.50 a.m.

[47] We agree with the assessment that, in certain aspects of the programme, the targets will be challenging. Nevertheless, we are fairly confident that we will achieve them. That is where we are. It is also important for us to stress that there will be no traditional mid-term evaluation in relation to these projects, but there are ways in which we can discuss with the commission reshaping some of them, should we wish to, in the light of experience and in the light of what we can do during the recession.

[48] We have been back to the commission already to increase the intervention rates, as some private sector match funding in particular was not available. Depending on what comes out of the economic renewal programme, we may want to reshape some projects so that they are more aligned with Government policy. So, there is a great deal of flexibility in the system to allow us to adapt through changing circumstances, provided that we keep in line overall with the traditional Lisbon and Gothenburg agendas, which are based around jobs and growth. It has obviously been difficult to do that in the recession. That is why we have been able to help through increasing ReAct resources and introducing ProAct.

[49] Damien, would you like to add anything to that?

[50] **Mr O'Brien:** I would just like to add a couple of points, if I may. The commitment levels at this stage under Objective 1 were 37 per cent, so we are bit ahead of that. We understand from discussions with other UK regions that we are ahead of the pace there. Although we have paid out only £186 million under the current round of programmes, we are still paying out money under the previous programmes. So, it is not as if the tap has been turned off. During 2009, we paid out over £250 million, which is generally our strike rate with these programmes. That is the amount of money that we would pump into the Welsh economy in any particular year. So, it is not as if there has been a hiatus as we have moved from one round of programmes to another. The money is still flowing through.

[51] I also want to pick up the Deputy First Minister's point about larger projects providing opportunities for organisations in the third sector and, indeed, the private sector to engage with the programmes through procurement routes and to get involved in service delivery. We feel that this is a real benefit of the programmes. Not everyone may see it that way, but we see this as a real benefit in engaging both the private and third sectors. In a number of our projects, such as our modern apprenticeships and Skillbuild projects, over half of the organisations that are involved in delivering those projects are private-sector training providers.

[52] **Gareth Jones:** Andrew and Brian, do you need to come in on that point, because quite a few people would like to ask further questions?

[53] **Brian Gibbons:** Damien mentioned procurement, but I do not know whether—

[54] **Gareth Jones:** Can we move on, or do you want to elaborate on procurement? Andrew?

[55] **Andrew Davies:** No, I think we will come to procurement later. These are quite separate issues.

[56] **Gareth Jones:** Can we move on, then, to different issues?

[57] **Brian Gibbons:** Shall we leave procurement until later?

[58] **Gareth Jones:** Yes, fine.

[59] **Andrew Davies:** I would like to come in on the issue of spend, because that is what David led on.

[60] In a way, this session exemplifies the real problem. Structural funds in Wales are almost scrutinised to death. In no other part of the UK do you have this level of scrutiny. It is perverse, because we are obsessing now about how much we are committing and how much we are spending. I want to raise a different matter: the legacy. The Eurostat figures for GDP, the 2007 figures, are clearly worrying. My concern is that we obsess too much in the public sector about how much we spend, rather than looking at what we get for that. For me, the big question is whether you are confident that the present programme will allow us to address the long-term structural realignment of the Welsh economy.

[61] I pressed the Directorate-General for Regional Policy and the Directorate-General for Employment, Social Affairs and Equal Opportunities in the recent meeting. I listened very carefully to what they said and read what they wrote, and a lot of the talk was about financial management and implementation, like our discussion now. However, I pressed them about legacy and whether they were confident that the programmes would deliver on the longer-term structural objectives. I would not say that they were wholly confident, but I understand

privately that European Commission officials have concerns about whether the programme will deliver on the strategic objectives. So, what are your thoughts on that?

[62] **The Deputy First Minister:** The intention is for them to deliver on those objectives. However, you are right to look at the outcomes of the structural funds together with how we ensure that, post 2013, there is a great deal of sustainability in what we are trying to do and that we are preparing for the long term rather than just trying to spend as much as we can to prove that we have spent as much as we can. It is right for you to concentrate on that.

[63] You are right that the latest GDP figures are worrying, although we can look at wider reasons for that, and I would like Damien to touch on that point, if he will. However, we need to recognise that structural funds on their own are unlikely to deliver those long-term changes. Alongside structural funds—and this is why we are looking at the economic renewal programme—we need to look at how we can lever in the other bits of the organisation, if you know what I mean, through the money that we allocate for economic development, to see whether there are ways in which we can use that more effectively. For example, we need to ask how we can work with the Department for Children, Education and Lifelong Learning and Skills to see how the skills agenda can also be more aligned. We are doing what we can, using structural funds, and given the fact that we have them for this period, to see how other Government policies can be aligned with them.

[64] However, there is the wider issue of macro-economic policy, on which we have no levers. In a sense, there are things that we can do, but there are things outside our control that will determine, to some extent, whether or not we meet those targets. It is interesting to see how GVA figures should be seen in a wider context.

[65] **Mr O'Brien:** We monitor the GDP statistics quite closely, but they are only one of a series of tracking indicators that we use to assess the overall impact of the programmes in terms of sustainable jobs and growth. That is essentially what they are about. We have to satisfy the commission not only on spend, but that we are achieving outcome targets. We have targets for jobs created, for unemployed and economically inactive people helped into work, and for new enterprises created, and the commission holds us to account on our progress in that regard. So, our responsibility as a managing authority is to ensure not only that we spend the money, but that we spend it in a way that delivers those quite ambitious targets. However, at the end of the day, the programmes will be judged on what happens in the real economy. As the Deputy First Minister has indicated, structural funds can make a contribution and we hope that the focus of the convergence programmes and the stronger emphasis on key economic levers, as set out in the Lisbon strategy, will help Wales to make that transition to an economy that converges with the European average.

[66] The Eurostat GDP figures that were published a couple of weeks ago benchmark west Wales and the Valleys against that European average. I would say, to begin with, that it is difficult to read too much into one year's data because these figures tend to jump around a lot. However, one thing that we have noticed is that there has been a decline in GDP. That is of concern, and therefore we need to keep a strong focus on that.

10.00 a.m.

[67] However, there is also a statistical effect here. As the economies of the regions and member states in eastern Europe improve, the relative position of Wales against that average also shifts. When we look at the figures for the old EU-15, you can see a general tracking down against the European average. What is happening in Wales is largely reflected in what is happening at the UK level in that tracking down against the average. So, there is clearly a statistical effect here.

[68] The other thing that I would say, of course, is that these figures do not reflect any of the investment made under convergence. These figures are for 2007; we only started to pay out money under convergence in 2008, and we are confident that convergence will make an important contribution. These programmes need to be seen in the broader macro-economic context.

[69] **Mr Hunter:** You are absolutely right that the focus should not be wholly on spending money. Within WEFO, the new application process caused problems early on, but we are constantly developing that. The front end of the process is all about the deliveries and the outputs and what the projects can actually do. The primary focus of the programme reviews that my teams undertake with the projects throughout the life of the projects is on how they are performing and how they are delivering their outputs, although, of course, there is a financial aspect to that. You have to track the two in parallel. We certainly do not focus only on the financial aspects when it comes to managing the individual projects.

[70] **Gareth Jones:** Thank you for that interpretation; that has been very helpful. Christine wants to come in on a specific point.

[71] **Christine Chapman:** I will probably leave the matter alone after I have asked this question.

[72] My question concerns the strategic nature of this new programme and the outputs. Like everyone here, I am interested in the outcomes. I know that, for example, there were some concerns that Objective 1 did not always benefit the poorest communities. I know that Objective 1 means that we are talking about a poorer area anyway, but there were concerns that it did not always benefit the most disadvantaged areas. My first question is: how convinced are you that you are really going to assist those very disadvantaged communities?

[73] You talk about Lisbon, and there is a big debate going on about cohesion, the Lisbon agenda and that there should be a lot more involvement at grass-roots level. We talk about strategic involvement, but if you look at the evidence that we took last week, there is a lot of concern that it is so strategic that it is missing out the people who should be involved. At the end of the day, it can be as strategic as you like, but if it is not happening locally, it is not happening. How convinced are you that, even with this strategic approach, you are going to deliver those outcomes that we talked about? Also, unless you get local delivery, this is not going to be sustainable. Do you have any comments on that?

[74] **The Deputy First Minister:** The first general point that needs to be made is that there was a feeling after the Objective 1 programme that we needed to have a more strategic approach so that we would have a wider impact, and the fact that I opened my remarks by saying that we expect to have 300 projects under this programme, whereas there were 3,000 under Objective 1, indicates that that is so. Some people will think that because there are 300 projects where there were 3,000 that some people are going to miss out. The reality is different. I think that Eleanor would like to talk about some of the projects where it is possible for organisations to be part of schemes utilising this sort of partnership collaborative approach. I think that local authorities, in the early days, were struggling with this as well. However, now, in terms of local delivery, I am finding that where local authorities have collaborated to deliver localised programmes, they are better for it—they are much more focused and targeted and have been of quite considerable use during the recession. We do not want organisations to think that because these projects are strategic, there is somehow no role for them. They can play a role, but it is not going to be a role in isolation any more; it will be towards achieving a more strategic regional target than simply being community based. There was a tendency for them to become rather isolated from each other, and you could not judge the impact over a particular area.

[75] Before I turn to Eleanor, I accept that there are particular issues in some communities. For example, there is the issue of economic inactivity, which is largely a legacy impact caused by regions' changing industrial base. We are pretty determined that convergence funding will assist us in tackling some of those very long-term problems of economic inactivity. I would like to think that the convergence programme, particularly through ESF, will make a substantial contribution to that.

[76] Eleanor, would you like perhaps to touch on that?

[77] **Ms Marks:** You have a written statement on the Valleys regional park. That project has 20 co-sponsors, and we have worked with WEFO to develop that. Beneath that, 26 much more local projects are going ahead to deliver the structural funds through the overall programme into much more localised areas. It is one of the examples that we have where the strategic project is the regional park, which stretches from east Monmouthshire—sorry, that should be west Monmouthshire; geography was never my strong point—through to the eastern side of Carmarthenshire. Beneath that level, the existing 26 want to do much more local programmes with smaller organisations. There will be another round of approvals under that banner probably at the end of March. The aim is to deliver it to a much more local base.

[78] **Christine Chapman:** Obviously, four local authorities are involved. We in the Assembly might be saying that we are doing it right, but what if local authorities are not being as inclusive as they should be? They are managing these programmes, and they should be ensuring that people in the community feel that they are involved. What are we going to do about that? We are just hoping that local authorities will do it.

[79] **The Deputy First Minister:** No, because if they are putting forward a partnership project that involves a range of organisations, they have to deliver against that. They would therefore have to involve them, and any evaluation of the project would pick that up. I do not think that I have any evidence that local authorities are not doing that.

[80] **Mr O'Brien:** I would underline that, as part of our appraisal processes, we look carefully at the extent of partnership engagement in the development of proposals and the plans for implementation. A number of local authority-led strategic schemes will operate through procurement processes that engage with the private and the third sectors.

[81] As far as helping the most vulnerable people goes, the programmes have a strong focus on the economically inactive. It is much stronger than Objective 1. So, we are doing less in helping unemployed people, because a lot of that is picked up by the big Department for Work and Pensions programmes. I would have thought that that would help more vulnerable groups. Also, we have an element of spatial targeting. Parts of the programmes are targeted at the 40 most deprived communities in Wales. That helps us to concentrate the resources where they are needed most.

[82] The third thing that I would say is that one of the advantages for us as a managing authority in having fewer projects is that we can keep in much closer contact with them. We have management reviews with them, we discuss performance, we discuss the progress of implementation, and we can also convey messages about the extent to which they are visible in their procurement processes.

[83] **The Deputy First Minister:** One final point perhaps is that I did mention that, in the early days, some local authorities found it a challenge to think in these collaborative terms, but we are getting there. We held a series of regional meetings with local authorities so that they could put those concerns to us directly. We then put a number of our experts in to discuss individual projects with them, and I think that that is now bearing fruit in the projects that are being approved.

[84] **Gareth Jones:** We must move on. That all came from a question from David Melding about three quarters of an hour ago. It has been a wide-ranging discussion, but we have to remain focused.

10.10 a.m.

[85] **The Deputy First Minister:** I hope that it has been helpful.

[86] **Gareth Jones:** It has been very interesting and helpful. I now turn to Nerys Evans.

[87] **Nerys Evans:** Hoffwn ofyn ynglŷn â monitro a gwerthuso. Clywsom dystiolaeth wythnos diwethaf ynglŷn â'r pryder fod dau neu fwy o brosiectau yn cymryd clod am yr un canlyniadau neu allbwn. Beth yw dealltwriaeth WEFO o ba mor eang yw'r broblem hon? Beth yw eich rôl o ran sicrhau fod prosiectau yn siarad gyda'i gilydd pan fo'r broses monitro a gwerthuso yn digwydd i sicrhau bod amcanion y prosiectau gwahanol yn eglur?

Nerys Evans: I wish to ask about monitoring and evaluation. We heard evidence last week about the concern that two or more projects are taking credit for the same outcomes or output. What is WEFO's understanding of the extent of this problem? What is your role in ensuring that projects talk to each other when the monitoring and evaluation process is being undertaken to ensure that the objectives of the different projects are clear?

[88] **Y Dirprwy Brif Weinidog:** Gwnaf bwynt cyffredinol ynglŷn â'r broses gwerthuso, ond dwi'n siŵr y bydd Damien yn medru ateb y cwestiynau mwy manwl am bobl yn cyfrif yr un peth ddwywaith. Mae'r prosiect gwerthuso yn cael ei weithredu drwy grŵp cynghori gwerthuso, sy'n cynnwys arbenigwyr gwerthuso a rhanddeiliaid o'r Comisiwn Ewropeaidd, llywodraeth leol, y sector preifat a'r trydydd sector. Mae'r grŵp hwn yn adrodd yn ôl i'r grŵp monitro sydd gennym. Rhan o'r broblem hefyd yw bod y rhaglen cydgyfeiriant yn dal yn eithaf cynnar yn ei fywyd, felly mae'n rhaid inni gofio mai yn 2010 y bydd y gwerthuso mawr yn digwydd unwaith yr ydym wedi cael cyfnod ohono. Credaf eich bod wedi gofyn cwestiwn penodol ynglŷn ag un prosiect, felly gofynnaf i Damien ei ateb.

The Deputy First Minister: I will make a general point about the evaluation process, but I am sure that Damien can answer the more detailed questions about people double counting. The evaluation project is operated through an evaluation advisory board, which includes evaluation experts and stakeholders from the European Commission, local government, the private sector and the third sector. This group reports to our monitoring group. Part of the problem is also that the convergence programme is still in its early days, so we must bear in mind that 2010 will be the year when the major evaluation takes place once we have experienced a period of it. I believe that you asked a specific question on one project, so I will ask Damien to answer it.

[89] **Mr O'Brien:** On the specific issue of double counting, we are very much alive to it. There is no doubt that it was a serious issue under the previous round of structural fund programmes, and we have tried to learn the lessons from that. You have to draw a distinction between the double counting of outcomes, which is something that we do not want to see in the programmes, and the recording of multiple interventions, which it is quite reasonable for projects to record. For instance, businesses may benefit from skill support or support with research and development from different projects, and it is quite reasonable for those projects to claim those as beneficiaries. It is similar for individuals making the journey from economic inactivity into employment. They may receive a number of interventions along that journey, such as outreach interventions, skills interventions and post-employment support, and it is quite reasonable for the projects to recognise that in the way that they report to WEFO. However, what we are trying to control much more carefully are the outcomes that projects

claim in terms of getting someone into work or getting a qualification. We are helped by the fact that we have fewer projects, because there are fewer entry points and fewer reporting points. We have had discussions with our 20 employment projects; the last time around we had over 200 such projects. The fact that we now have 20 means that we can get them in the same room and talk about how they can align their interventions and who should be claiming which outputs. So, we have had discussions at a pan-Wales and a regional level with projects about this.

[90] Something new that we have this time around is beneficiary databases. We have an individual beneficiary database and a company beneficiary database, which has unique identifiers. Through our evaluation, we will be able to assess how many interventions individuals or companies have had, and we will have a better way of cleaning up data to ensure that we only report on genuine job outcomes and jobs created, rather than numbers that are being claimed by several different projects. I am not saying that we will eliminate it completely, but I think that we have a much better basis for doing so this time around.

[91] **Gareth Jones:** I have questions from Paul, Jenny and Brian. You may ask a quick supplementary on that point, Andrew.

[92] **Andrew Davies:** I hope that this issue of double counting has been sorted, because, as you know, it was a problem with Objective 1. God, I hope that we have got it sorted. On the evaluation, I know that there is no mandatory requirement for a mid-term review or evaluation, but the one that was done on Objective 1 was extremely useful and helped to refocus that programme. Who will undertake the various evaluations that you have referred to and will they be in the public domain?

[93] **Mr O'Brien:** The answer to that question is that WEFO commissions these evaluations from an independent source and they are all put into the public domain.

[94] **The Deputy First Minister:** They will be done through the evaluation advisory group, which will include people from various organisations.

[95] **Andrew Davies:** Under Objective 1, these reviews were not put out for procurement. Will this follow same process?

[96] **Mr O'Brien:** It will.

[97] **David Melding:** May I ask a question for clarification? People will often be involved in multiple projects, or more than one at least, and it is then difficult to allocate that person to the project that is mostly responsible, but when you count them, do you not apply some sort of discount rate to the overall programme to allow for the fact that some people will have been helped by more than one project? Otherwise, you could be double counting significantly.

[98] **Mr O'Brien:** That was the approach that was adopted for the mid-term evaluation update for the Objective 1, 2 and 3 programmes. The consultants who were carrying out the evaluation identified a significant amount of double counting and basically applied a reduction factor of some 40 per cent. We have no way of assessing whether that is a reasonable discount, but, through the beneficiary database arrangements, we feel that we will make much more realistic adjustments.

[99] **David Melding:** It is a problem of methodology. The last thing that you want to do is to deter people who are running projects from giving a bit of help to someone because they will get no credit for it, but there must be a technical way of solving this to come up with effective estimates.

[100] **Mr O'Brien:** We are hoping that these beneficiary databases will do that, because all projects are required to give us details of individuals with unique identifiers such as national insurance numbers, so we will have a better way of doing it this time around. There is always a balance to be struck between feeding in the management information and not putting an undue burden on projects.

[101] **Jenny Randerson:** I want to deal with the issue of procurement, because we have heard from witnesses about delays as a result of the procurement process. They tell us a story that suggests that WEFO delayed making up its mind on how the procurement process would be handled and exactly what role procurement would take. That has led to confusion and concern among organisations that, at the start of the process, were led to believe that they could be partners as a group that was sponsoring a project and were then told, further down the line, that they could not be partners, because there had to be a procurement process. Perhaps we can start with you answering that question, and then I will probably want to—

[102] **Gareth Jones:** I know that Brian wants to come in, but we will have a response first.

[103] **The Deputy First Minister:** I will deal with the general point about why procurement is necessary, and then Damien can take up the point about how that was dealt with internally. We have to ensure that these funds deliver the best value for money and that external organisations that could be part of the delivery mechanism are given an opportunity to bid for that. There is also a requirement on us to ensure that proper procurement procedures have taken place. Procurement is not an option that would be nice to have; it is fundamental to the delivery of the programme.

10.20 a.m.

[104] So, the first point that I want to make is that, in this economic environment, public procurement, as Andrew will recall from his days as Minister for finance, is a way of engaging a lot of businesses in the delivery of public sector programmes. To protect project sponsors, it is a legal requirement that public sector procurement must follow an open and transparent procedure. There might have been misunderstanding at the beginning of the process among some people that putting in a bid that included a partnership approach would absolve them from the need to follow a procurement route. However, it does not, and it is important for us to stress that. As I have indicated, it is also important that all businesses have the opportunity to bid for this and to be considered on an equal basis. Jenny raised a wider issue, which was whether that made clear to people early enough in the bidding process. Perhaps that is a point that Damien would like to pick up on.

[105] **Mr Hunter:** There was confusion on this, and we are not completely out of the woods, so we are working on it. With regard to the two programmes, the evidence that you received from the commission had slightly different tones. DG Regio stated that there should be procurement in all cases, and that has always been the case with regard to large capital projects. The social fund stated that it was moving towards procurement, which is a slightly different thing. The core of this comes down to whether the activity that is taking place is deemed to be an economic activity. That is central to this.

[106] I have been analysing the issues with regard to the definition and to project sponsors putting programmes forward. I took on this role last September, and, since then, the biggest issue that project sponsors have raised with me is procurement. So, we are in the process of working with the sector to redevelop the procurement guidance, because it is clear that it could be better, and a draft will be out next week for comment. There were issues with the old guidance in terms of overinterpretation. Some people read the rules and, in some cases, went beyond the intent of the rules. That may be down to training. In the past year, we have trained over 300 people, inside and outside the Welsh Assembly Government, and we are funding the

Wales Council for Voluntary Action to deliver specific procurement training. So, we have managed to do that. As the Minister said, the key issue here is ensuring that we get value for money from these programmes, that there is transparency in the way in which we put out this work, and that there is accountability.

[107] Therefore, in some circumstances where there is economic activity, we must procure. In the evidence provided by one witness last week, there was an example about training people, in that it would not be right or would not work to offer training procured through colleges for people who had failed through the school system and for them to have to go back into that school environment. Those projects did not come all the way through our system, so we never reached the point where we could deem whether they were economic activity or not. However, in that case, that would not be economic activity—I am referring to taster sessions on training or personal mentoring sessions that could not be put out to the market but which could be delivered far better by local organisations. We have approved projects on that principle with the Prince's Trust, under convergence and competitiveness funding, and they have not had to go through a procurement process because it would defeat the object of the projects to do so.

[108] **Gareth Jones:** Jenny, given that it is your question, you can follow it up first. Brian and Andrew also want to come in on this.

[109] **Jenny Randerson:** We have received evidence about the third sector feeling that the delays, the uncertainty and its new status is disempowering and has had a bad effect on local community organisations and so on. Chris made those points strongly earlier on. However, I wanted to look specifically at the position of FE colleges, and get your views on where they fit into this strategic vision. After all, FE colleges work almost entirely to the Government's agenda, are funded to do specific things, and have very little freedom to interpret things individually as they want. So, although they are not directly controlled by the Government, they are very much part of its strategy and policy delivery.

[110] I have heard from ColegauCymru about a regional consortium of colleges that was allowed to get through to part 2 of your procedure, but was then given deferred status; it could not get any information out of WEFO for over a year as to where it was going. Would a consortium of colleges within a region be regarded as eligible to be a project sponsor, or would it be subject to procurement? This is the big question, because a lot of other colleges are subject to procurement, but I believe that you have approved such a bid from one college—although it complained that it had to put in its application 12 times before it was approved. I am trying to work out how colleges, which are so important in upskilling the workforce, fit into the concept of strategic delivery.

[111] **Mr Hunter:** The difficulty with the example you gave is that, without reference to the specific project, it is difficult to say why it has been deferred and has taken so long.

[112] **Jenny Randerson:** The main question is whether, in principle, a consortium of colleges can be a sponsor, or would be subject to procurement?

[113] **Mr Hunter:** In terms of procurement, if an organisation has a statutory duty to deliver, and part of the project is enhancing that statutory delivery, and it is the only organisation that has that kind of statutory responsibility, then the procurement rules, in effect, are not as stringent. The issue comes with the delivery of generalised training. It could be delivered by a variety of different organisations in the private sector and across the board. So, I would need to know more about the project in order to work out what the issue was; it comes down to what the consortium was trying to deliver.

[114] **The Deputy First Minister:** It might be helpful for us to have some information

about that particular case, Jenny, because we are happy to take that away. It seems to me as though that is precisely the kind of project that we would like to see as a strategic project, with a group of FE colleges doing precisely what we would ask them to try to do. It would be helpful.

[115] **Brian Gibbons:** What Rob said has moved things on to an extent. This distinction between economic activity and non-economic activity at least provides some sort of benchmark, but I do not think that we are out of the woods by any means, and that was suggested by the way in which you replied to the question. When we had a discussion with the commission's representatives, they were pretty dogmatic about the procurement process, but the question of what counts as economic activity will surely vary from state to state. For example, in the United States, healthcare would, presumably, be an economic activity, whereas in western Europe, certainly the UK, it would not. Indeed, there could even be variation between devolved administrations—the experimentation with the market in England is continuing, whereas we have very much shunned that in Wales. Is there a state-specific view of what economic activity is? Even within a state, devolved administrations may take a view on what is and what is not economic activity. So, that is the first issue.

10.30 a.m.

[116] The second issue is that I was slightly concerned about the way Ieuan formulated his response, because my understanding is that the general approach of the Assembly Government is that it is very much committed to partnership, that working in partnership and building strong and strategic partnerships with the private and third sectors are part of a core strategic approach, although occasionally it will get involved in the procurement process when it makes sense to do so. The way Ieuan formulated his reply that the Government is not doing this just out of necessity because the EU is insisting it does it, suggests that you are almost embracing the procurement process.

[117] **The Deputy First Minister:** I understand the point that you are making. I want to clarify this.

[118] **Brian Gibbons:** Yes, I am giving you the opportunity to clarify it.

[119] **The Deputy First Minister:** We would not want to go down the procurement route unless we had to. We are not saying we will take this route even if we do not have to. It is only with those projects where it is required that we will do it.

[120] **Brian Gibbons:** Coming to my third issue, we have mentioned the evaluation. It is to be hoped that it will be more than a weather check, and that it will be a fairly fundamental root-and-branch activity. However, will that evaluation look at how successful this procurement process has been? Again, last week, we heard from the commission that one of the reasons it wanted to go down the procurement route, apart from achieving value for money, was to give non-governmental organisations a chance to get involved. However, we see that the WCVA, on balance, is not really very supportive of the procurement process. So, the very people who are supposed to be beneficiaries are not totally signed up to this. Further to that, will someone evaluate the cost of the procurement exercise? The WCVA says that to be involved in the procurement process organisations need spare capacity. The cost is not just to the successful applicant. There is obviously a massive cost to the unsuccessful applicants and opportunity costs to the tendering organisations as well. So, will the evaluation look at this aspect in order to give a view to the commission on whether its dogmatic approach to tendering actually represents good governance and good value for money?

[121] **Mr Hunter:** There were a few questions there. On whether there is a state or regional view of what economic activity is, the Prince's Trust-type project that I mentioned is a really

good example. It provides taster training, and there is an awful lot of mentoring involved. If it was more mainstream training and the mentoring was not part of the training, it would have been classed as economic activity. So, it is to do with the nature of the delivery as well. We assess that on a project-by-project basis, and we work with the sponsors. In some cases, as we did with the Prince's Trust, we will work with the sponsors to get the optimum solution. We are not being terribly dogmatic; we want it to be a practical delivery for the sponsors. So, there is not a state view on economic activity. We judge each project.

[122] **Brian Gibbons:** Should there be a state view though? Different states will regard it as part of the responsibility to do different activities.

[123] **Mr Hunter:** Where we are in doubt, we will consult our legal advisers. This is linked to your last point about the cost of procurement. There is no question that there is a cost. The feedback that we are getting from many of the organisations, particularly third sector organisations that have been through the process of procuring, is that it was a painful thing to have gone through but that, now that they have gone through it, they feel more equipped to deal with the future. This is about the sustainability of the organisations as well.

[124] On the issue of non-compliance, as I said, DG Regio was very keen on procurement when it gave evidence. However, in the European Court of Auditors' report in 2007, a failure of procurement across Europe was seen as the biggest single weakness for the commission at that point in time. There were eye-watering amounts of money taken back from some of the member states for non-compliance with procurement. Therefore, there are two sets of costs. There is the cost of compliance, and there is another cost, potentially, of non-compliance, which could be very high.

[125] **Brian Gibbons:** However, that may be illogical dogmatism from the commission.

[126] **Gareth Jones:** Mae'n rhaid inni dynnu'r rhan hon o'r sesiwn at ei therfyn yn awr. Credaf ein bod wedi cael trafodaeth eang iawn. Yr ydym wedi canolbwyntio ar yr elfennau ymarferol o safbwynt gweithredu'r rhaglen hon a'r cyllid, ac yr ydym yn dra diolchgar ichi. Serch hynny, yr ydym hefyd wedi atgoffa ein hunain pa mor bwysig yw cael pethau'n iawn ar gyfer ein cymunedau fel bod cynaliadwyedd ar ddiwedd y cynllun hwn, ac y gall Cymru fanteisio i'r eithaf, yn economaidd ac yn gymdeithasol, ar y defnydd o'r cyllid.

Gareth Jones: We have to bring this session to a close now. I think that we have had a very broad discussion. We have focused on the practical elements in terms of implementing this programme and the funding, and we are very grateful to you. However, we have also reminded ourselves how important it is to get things right for our communities so that there is sustainability at the end of this scheme, and so that Wales can take full advantage, economically and socially, of using the funding.

[127] Yr ydym yn ddiolchgar i chi, Ddirprwy Brif Weinidog, i'ch swyddogion, ac i swyddogion WEFO yn arbennig, am ymuno â ni. Dymunwn y gorau ichi. Diolch yn fawr iawn ichi am eich amser heddiw.

We are grateful to you, Deputy First Minister, and to your officials and WEFO officials in particular, for joining us. We wish you well. Thank you very much for giving of your time this morning.

[128] **Y Dirprwy Brif Weinidog:** Diolch am eich geiriau caredig. Hoffwn wneud un pwynt. Os oes materion nad ydym wedi gallu ymdrin â hwy yn y sesiwn hon lle bo gennych cwestiynau pellach yr hoffech eu cyflwyno'n ysgrifenedig, byddwn yn hapus i'w hateb.

The Deputy First Minister: Thank you for your kind words. I would like to make just one point. If there are any issues that we have not been able to cover in this session that you may wish to submit to us in written form, we will be happy to answer them.

[129] **Gareth Jones:** Diolch yn fawr am yr gwahoddiad hwnnw. Yr ydym yn ei werthfawrogi. **Gareth Jones:** Thank you for that invitation. We appreciate it.

[130] Symudwn yn awr at ail ran yr ail eitem ar yr agenda ar gronfeydd strwythurol a gweithredu rhaglen 2007-13. Mae'n bleser gennyf groesawu, ar ran y pwyllgor, cynrychiolwyr o Gyngor Gweithredu Gwirfoddol Cymru. Estynnaf groeso cynnes i Phil Fiander, y cyfarwyddwr menter ac adfywio, Judith Stone, rheolwr tîm Ewropeaidd y trydydd sector, a Tessa White, sy'n rheolwr y porth ymgysylltu a grantiau. Croeso cynnes ichi a diolch yn fawr am ymuno â ni ac am dderbyn y gwahoddiad. A wnewch chi roi cyflwyniad byr o ryw bum munud, efallai, yn cyfeirio at y prif bwyntiau y dymunwch eu rhannu gyda ni? Cawn gyfle wedyn, fel Aelodau, i ofyn cwestiynau.

We now move on to the second part of the second item on the agenda on structural funds and the implementation of the 2007-13 programme. It gives me great pleasure to welcome, on behalf of the committee, representatives from the Wales Council for Voluntary Action. I extend a warm welcome to Phil Fiander, the director of enterprise and regeneration, Judith Stone, manager of the third sector European team, and Tessa White, the engagement gateway and grants manager. I extend a warm welcome to you, and thank you for joining us and for accepting the invitation. Could you give us a short introduction of around five minutes, perhaps, referring to the main points that you wish to share with us? We will then have an opportunity, as Members, to ask questions.

[131] **Mr Fiander:** Thank you, Chair. I will kick off. Thank you for inviting us to speak. I have brought Judith and Tessa along because they have had front-line experience of delivering the structural funds under Objective 1 and convergence. Judith has a role in supporting third sector organisations within 3-SET. I thought that it would give you an opportunity to question people who are actually dealing with front-line issues.

[132] I will say a few words about the paper. On the whole, we have been reasonably supportive of what WEFO has tried to achieve with the programme, but there are a number of issues that we feel are prominent there.

10.40 a.m.

[133] I suspect that you have had procurement issues rammed down your throats by everyone, but the biggest problem for us was the fact that we had grossly underestimated the lack of expertise in relation to procurement. That has caused major problems for us. It also caused problems for project sponsors and applicants in catching up and trying to understand the process. That has led to delays, and, as a project sponsor, we are spending some time catching up on what we anticipated would be delivered.

[134] Procurement has also caused us a problem in respect of determining the level of third sector involvement. Under Objective 1, it was relatively easy to determine the level of third sector involvement as you could count the number of project sponsors, the value of that activity and so on. As they are now second and third-tier deliverers, it is difficult for us to determine what is going on. At the beginning of the programme, we said that the activity would remain the same, and that it was just the process that would change. However, we do not have evidence at the moment of the level of that involvement because the situation is not clear, and we would like to see more evidence in that respect. We would certainly want WEFO to try to undertake more analysis on that.

[135] We welcome the use of structural funds in responding to the recession. That should only be applauded. I would also like to make it clear that, in relation to future funds, Wales is

using in-kind voluntary sector time as a contribution towards match funding, which other regions in the UK are not doing. I would like us to make a point of keeping that. It is unique, but also, in the current recession and given the lack of match funding and so on, it is important.

[136] Those are some of the key issues that I wanted to highlight. If you could give Judith and Tessa a couple of minutes, we would be grateful.

[137] **Gareth Jones:** That is fine.

[138] **Ms Stone:** Good morning, Assembly Members. Following Phil's remarks, I just wanted to say a few words about how WCVA's third sector European team, which is part of the wider spatial European team, or SET, network, is helping third sector organisations to engage with the European structural funds programmes and to overcome some of the barriers that Phil has mentioned.

[139] First, the core remit of my project is to support third sector project sponsors to develop and to implement successful and compliant European-funded projects. As such, we have supported and are supporting the development of a number of third-sector-led projects that are currently in the system with WEFO. For every third sector project that is approved, we will deliver a two-day training course on how to manage a European-funded project, in order to help those organisations to run effective and compliant projects. To date, we have delivered that course to 13 project sponsors.

[140] The third sector project sponsors may be required by WEFO to procure some of their delivery activity. Many of these organisations will have never followed a public procurement process before. As such, we have worked in partnership with WEFO to facilitate three training sessions on effective and compliant procurement, in order to help to upskill the sector in this important area.

[141] On the supply side, in recognition of the need to build the capacity of the sector to tender to deliver aspects of European-funded projects, as part of our training programme we also deliver a two-day how-to-tender training course. We have delivered that seven times to 106 participants, many of whom are involved in bidding actively for European-funded contracts. We have developed a host of resources relating to contracting and legal issues for third sector organisations to consider. Those are on WCVA's third sector funding portal.

[142] Our project plays a role in publicising the tendering opportunities for structural funds projects that appear on the Sell2Wales website, and we have issued 52 e-bulletins. We are also working with the Welsh Assembly Government to supply a development service to broker one-to-one advice for third sector organisations that are bidding for European-funded contracts. However, as Phil has mentioned, at present it is difficult to assess the level of the involvement of the sector with regard to how many organisations have won tenders, because there is no analysis by sector of the contracts that have been awarded so far.

[143] **Ms White:** I am the manager of the WCVA's engagement gateway project. I would like to follow up my colleague's comments with some based on my experience of managing an ESF project under the current programmes. The engagement gateway is a pan-Wales project that has a total value of over £30 million. It will procure over 500 contracts over the next three years to deliver small-scale, locally based activities to move the hardest-to-reach economically inactive and unemployed people towards employment. Although it is open to all sectors, these are the sorts of interventions that are typically delivered by third sector organisations. This is one of the more obvious routes for them into European funding.

[144] We hope that, if the project is successful, it will prove the need for, and value of,

these interventions in the implementation of any large-scale programme that addresses worklessness. As Phil has said, the time taken to establish our systems for procurement was much longer than envisaged. With the engagement gateway, it was over a year before we began to pay out on contracts. This was because, before that happened, we first had to have approval for the systems that we were using or were proposing to use, and neither WEFO nor Value Wales were ready for that. Afterwards, we consulted extensively with the third sector and with third-sector trustees, and we conducted open public meetings, to make sure that our processes were understandable, fair and transparent. We opted for a restricted procurement process with an in-depth prequalification questionnaire, or PQQ, to ensure the rapid release of invitations to tender, or ITTs, to the approved supplier list, once we had selected it.

[145] In line with the Welsh Assembly Government's funding code of practice, we allowed three months for the submission of PQQs, which then had to be scored and approved, with similar deadlines for tenders. However, alongside this, and in addition to the work that Judith has been doing for 3-SET, we have run open PQQ and ITT briefings in each local authority area of Wales, and we have a network of local advisers for supplier, support and development, based in each of Wales's volunteer centres. So, as Judith—and I hope this—has made clear, there has been a huge learning curve involved. The procurement process is not one with which third sector organisations are familiar. Although we appreciate the need to employ it to avoid state aid issues, for instance, it does work against usual third sector practices of collaboration and sharing good practice.

[146] Having trialled our first round of tenders, the gateway is now looking to commission an in-depth participant tracking database. In the course of doing this and talking to other project sponsors and potential providers, we have become aware of the wide range of different models that are being used and considered. For the sake of consistency, cross-project referrals and avoiding duplication, we would very much welcome the adoption by WEFO of a universal participant tracking system, as outlined in Phil's paper.

[147] **Gareth Jones:** Thank you very much for those introductory remarks, which have been very helpful, as has your written evidence. I should have referred to the latter, and I am very grateful for all of the preparatory work that you have done. It is very lucid, specific evidence that we have all had an opportunity to read. I turn now to David Melding for the first question.

[148] **David Melding:** I am not sure what the problem has been with the procurement process, so I would be grateful if you could offer further explanation. A procurement process can establish competence to perform in a certain area. I do not think anyone would object to that. Voluntary bodies are used to dealing with quite daunting applications for funding; with the National Lottery funds, for example, you are sometimes talking of project applications worth £0.25 million. I presume that that is not the problem. The problem is that, when you get funds, you then have to allow various community or private groups to deliver the service that is in your project. Is that what has been quite difficult to accommodate?

[149] **Mr Fiander:** I think that that is part of it, but I think that it is also the difference between procuring public services under normal procurement practices and procuring for European projects. It is to do with the very nature of what you are trying to do with European projects, where you are engaging with organisations and trying to deliver best value, as opposed to the interpretation of best value under normal procurement regimes. There is a difference in that process. It is not a straightforward case of saying, 'I am going to buy 100 pencils and I am therefore going to get the best value'; it is about engaging with 20 or 30 localised groups that are delivering on a particular agenda, and educating them in order to do a procurement process. It does not necessarily fit, if that makes sense.

[150] **Gareth Jones:** Does the difficulty lie with the criteria established by the European

Commission? Is that where the difficulty lies, in getting to grips with them and working to them within the procurement process?

[151] **Mr Fiander:** There may be other ways of doing this. Going forward, one thing that I would like to see—if we are applying for European funding and Wales gets more funding—is for us to look at themes and priorities and get block exemptions immediately. You do that so that you can identify the areas that you are working in so that you do not necessarily need to procure for. I am thinking of some of the stuff that we could do with global grants and so on where you set up a grant scheme. We could set up a grant scheme much quicker and therefore get more involvement much quicker than we would by having to comply with the procurement process. There is a clash between normal, standard procurement processes and those for European programmes. Wales made a mistake by thinking that, because it had procured a lot of things in the past, it understood procurement. It does not necessarily translate to the European programmes.

10.50 a.m.

[152] **David Melding:** Would be fair for us to conclude that this is a European-level problem, rather than a Welsh Assembly Government problem?

[153] **Mr Fiander:** Yes, but we could do something about it ourselves.

[154] **David Melding:** There could be better training and support, for example.

[155] **Mr Fiander:** Yes.

[156] **David Melding:** Okay, that is fine.

[157] Convergence is concentrated on fewer, more strategic projects. Consequently, they have tended to be led by the Welsh Assembly Government or local authorities—not exclusively, but predominantly. How will that affect the outcomes of the programme and the legacy that it leaves? The Government hopes that this will have more of a structural effect. Is that your anticipation as well, and are you seeing intimations of that as the projects are unfolding? Will we leave these communities stronger for the decades ahead?

[158] **Mr Fiander:** In the discussions on the development of convergence, I had always assumed that that was the strong point and the reason for doing this. The problem I have at the moment—and this may be the result of a time lag rather than anything else—is with the evidence of third sector involvement in the process. I will be able to judge more on that level of engagement. It goes back to the struggle of the role of the third sector and communities in those procured contracts. That is a piece of work that we need to do as part of the programme monitoring committee, which I know is conscious of this. It is part of the process of understanding the level of involvement. The fear of the third sector is that some of it remains in-house and is not delivered outside. I have no evidence either way.

[159] **Jenny Randerson:** A paper provided by WEFO to the PMC meeting in December 2009 that looked at the progress of procurement showed that, where procurement was complete, 4 per cent of the contracted organisations were in the third sector. I am interested in the point that the Minister was making that, although it is now done by big organisations at a strategic level, there was no reason why the third sector should not benefit from the results of the procurement process. In the previous round of European funding, the situation was very different. You have talked about the frustrations in the procurement process and the learning curve, and it has been extremely interesting to get that detailed view. How does that figure of 4 per cent compare with the same stage in the previous round of European funding? There is evidence that it could be picking up, from the point of view of the third sector. Do you believe

that, in the end, the third sector will be as involved in delivery as it was the last time around, albeit in a different relationship?

[160] **Mr Fiander:** I hope that that will happen. As a member of the PMC, that is what I will be pushing for. It goes back to the point about understanding. As I said, under Objective 1, we knew immediately that £261 million was allocated to third sector projects. Those were direct third sector projects. Judith has dealt with around 13 or 14 direct third sector project sponsors, and the rest is all second and third tier. Some of the projects have procured at the first tier and have then started to procure at the second tier. We are starting to see a lot more demand for the services, regarding how to tender and so on. So, using that as an indication, it appears that there is more third sector activity. I suppose that it goes back to the point about trying to find out. The problem at the moment is that I cannot give you an answer. I hope that it will happen and I believe that it probably will, but at a much slower rate than it did under previous programmes.

[161] **Jenny Randerson:** Could I ask a brief supplementary question? This 4 per cent is 4 per cent of contracted organisations. From your inside knowledge of the 4 per cent, is it the case that these tend to be bigger organisations dealing with bigger amounts of money and bigger projects than was the case last time?

[162] **Ms Stone:** I would think so, yes. There have been some notable examples of the Assembly having awarded contracts to third sector organisations to lead on strategic projects at the first level. So, they will have received a significant amount of money, but there is a whole other layer underneath that, as Phil mentioned, of second-tier contractors and some of the smaller contractors, but we simply do not have a grip on that at the moment because the information is not there. For example, the gateway project will award multiple contracts to smaller organisations and we do not yet have that sort of information, so it is really hard to tell.

[163] **Christine Chapman:** I have a quick question on the outcomes of the programme. We talked about the change of emphasis, with more strategic programmes versus localised initiatives. However, is it more likely that this programme will get to the really disadvantaged areas under this new approach? I mentioned earlier that a criticism in the early days of Objective 1 was that some areas were disproportionately doing better than others, and the others could have done a lot better. I know that things have changed a little, but will this new system help to target the most disadvantaged areas or will some areas be passed by? We have had evidence from some organisations—and I know that Phil will have heard this—which feel totally out of the loop. I have some concerns about that because, for this programme to work and be sustainable, it has to draw on everyone's talents.

[164] **Mr Fiander:** There is always that danger, and I would be foolish to say that that was not the case, but one advantage of having fewer projects is that it allows WEFO to do a lot more mapping of who is doing what. There is a lot more cross-fertilisation between projects on understanding what they are doing. For example, our gateway project is working closely with JobMatch, and we are now trying to link up some of those activities targeted at disadvantaged communities. Given that there are only 100-plus projects and that, within the priority in which gateway is operating, there are probably around 30 or 40, it becomes quite an easy process, as we can have compensations and start to be strategic. Through its mapping, WEFO has tried to apply that to getting those together. There is always the danger that some of the organisations will be excluded. That is part of the reason why we have gone down this route with gateway. We are trying to open up the process and make it as close to something familiar as possible without breaking procurement rules to allow that to happen. Time will tell whether we have succeeded.

[165] **Brian Gibbons:** In time, do you not think that the third sector will split—not as a

sector, but by functionality, such as some of the relatively big organisations out there that are involved in the procurement process? Going back to David Melding's point, will they have the skills capacity to concentrate on drawing down money from the lottery, and so on? There will then be another element of the sector that will, essentially, be about delivery. That will be its rationale. Almost strategically, the sector needs to start organising itself in that way.

11.00 a.m.

[166] **Mr Fiander:** There is potential for that to happen. We are doing a great deal of work at the moment, outside of structural funds, on collaborative working on communities, because I would not want to see that split happen. We want to see organisations that work collaboratively at the local level, and one area that we are currently trying to work on is that of developing collaborative solutions, not only around structural funds, but also the Beecham agenda and public services, where there is a real advantage to collaborative working. We are working in that way to try to avoid a split between the haves and the have nots. I would not to see that happen, because the danger would be of losing some of the innovation at the local level.

[167] **Brian Gibbons:** There is a balance but there also needs to be some sort of tension, by competition and so on. I accept that. Would you not accept that a vast amount of time, energy and effort on the part of the myriad organisations unrealistically engaged in the tendering process could be dissipated, and that, rather than allowing that to happen through the invisible hand of the market, perhaps we need to be a bit more proactive in managing the situation?

[168] **Mr Fiander:** 'Yes and no' is my answer to that, sorry.

[169] **Brian Gibbons:** Well, that has sorted that out. [*Laughter.*]

[170] **Mr Fiander:** I do not think that there is a straightforward answer to that, because there are inherent dangers. I can see it making for ease of delivery, with it becoming an easier route for the deliverers and the funders, but I am not convinced that some of the local community groups would appreciate that, because where would they then go to seek funding? Some of the issues are to do with where they seek funding. They will often seek funding from European funds, the lottery, or whatever, because they are the avenues for funding, particularly in the current climate when Government funding is to be cut, which means that the pressure on those groups will be even greater.

[171] **Brian Gibbons:** Surely, most third sector organisations are set up for a social purpose.

[172] **Mr Fiander:** They are.

[173] **Brian Gibbons:** What they want is to do what they were set up to do. The last thing they want to do is spend time and effort hunting money. They want to get on with the core business of their mission. Without some sort of order being brought to it, you will have organisations spending a lot of time on activities other than those relating to their core mission.

[174] **Mr Fiander:** Yes, and they do now. That is a fact of life. The problem is that there is no straightforward route for those organisations. Yes, you could argue that part of the procurement could provide that straightforward route, but not all those groups would fit into those areas, so you would still end up with groups outside that, delivering on all sorts of other social needs that perhaps are not funded by Government or whatever. I do not think that there is a straightforward answer to that.

[175] **Ms White:** At the local level, the groups will fiercely prize their independence and what they consider to be their uniqueness of approach to what can sometimes be a targeted local area of beneficiaries. At the same time, in some of our open meetings, the idea was floated about intermediary bodies, such as county voluntary councils or local authorities, acting as an umbrella body, not permanently, but temporarily for the purposes of delivering a contract, by joining together small groups that were not able to put in the expertise to the tendering process. They would join together, with one organisation managing that. It was more informal. It was not a general change to structure, but it is a possible solution.

[176] **Brian Gibbons:** One thing that we have learned from the internal market in the health service is that it is difficult for organisations that were ‘competing in the market’ yesterday to come together as partners today on a completely open-book basis. How easy is it in practice for third sector organisations that were competing for activities in the same niche area one week to come together the next week on a partnership basis? Just at a constituency level, I see that that sometimes works quite well, but then other organisations that have complementary social purposes will be at each other’s throats when it comes to delivery, trying to trip each other up and so forth.

[177] **Mr Fiander:** As I said, it goes back to some of the work that we are doing outside structural funds, on collaborative working. There is a huge issue with getting organisations to work together. As you said, some will work very closely together and have no problem, but others will be fiercely independent in their own client groups, and they are barriers that we have to break down. In the longer term with all the agendas around structural funds, the Beecham review and all those sorts of things, it will require some of that to happen.

[178] **Brian Gibbons:** The argument that I am making is that these organisations with a similar purpose are chasing a finite pot.

[179] **Mr Fiander:** The need might drive them to collaborate.

[180] **Brian Gibbons:** The need to get the money might overcome their need to collaborate.

[181] **Mr Fiander:** Possibly.

[182] **Gareth Jones:** Thank you for that. We are pleased that Jeff Cuthbert has joined us for this part of the scrutiny, and he has the final question.

[183] **Jeff Cuthbert:** I am grateful for the written paper and what you have said so far. I chair the programme monitoring committee and Phil is a member of it, as you said. I also took over from Chris Chapman as chair of the Objective 1 PMC. Technically, I am still chair of that committee and we have a meeting to receive the final accounts of some states, so I will not engage in the debate between the Objective 1 programme and the current programme. However, I have a few points for clarity.

[184] Most of what we have talked about—and what you have written about in the main—would seem to be the convergence areas, but we have a much smaller competitiveness programme, so I would like to know how well the WCVA feels that the voluntary sector is engaging in east Wales. What different lessons may have been learnt there because of the different type of fund and different type of circumstances?

[185] One criticism that has often been levied by sponsors of Objective 1 money was that when it came to an end, there was nothing. In other words, it was as if it was a shock. It is hard to believe, because everyone ought to have realised that the money was temporary and was coming to an end. There was a criticism that exit strategies had not been properly

monitored and were not part of the regular reviews, and that could be argued to a degree. Under convergence and competitiveness, do you feel that there should be no problems post-2013 or 2015 allowing for the N+2 targets, the projects will come to a logical end and will cease, or that they will have developed plans to become sustainable thereafter? We do not know at this point whether we will qualify for transitional funding—it is too early to say—but those negotiations are underway and there is lobbying to make sure that Wales does not end up with zero after 2013. However, assuming that we will qualify for something, will the third sector want to be positively engaged in whatever emerges post-2013?

[186] **Mr Flander:** Yes, certainly—that goes without saying. We are doing a lot of work with organisations around sustainability, but the bottom line is that no matter how much work you do, if the money is coming from a Government source or the lottery, there is reliance on that source and you cannot always deliver. To go back to the original questions about procurement, one of my ambitions for some of the stuff that we are doing is to create a recognition that some of the localised community activities have value to mainstream services, and are paid for as part of mainstream services. We wait to see whether or not that happens, because that may not be the case, particularly under the current budget restraints. So, we are doing as much as we can around sustainability. You will always have an issue not just with the third sector, but with all organisations around when the tap turns off for European money and what happens next. As Andrew said, people have been told about it often enough, but they do not necessarily want to listen to it; they will tick a box. Having said that, we must be very clear that we are coming to the stage when Wales is unlikely to get vast sums of European money, and therefore we need to think of a way forward. As we have said in the paper, one of the things that we need to start doing is to identify the current projects in the competitiveness areas that we want to maintain, so that we have a strategy for taking those projects forward and that there is a clear message that, whatever we have next, we have identified the bulk of the activity that we want to do through which projects. That will allow organisations to realise that they will not necessarily receive funding if their project does not come under those things.

11.10 a.m.

[187] **Jeff Cuthbert:** May I come in on that point, before you go on to the other issues? What is the role of the WCVA in helping that process?

[188] **Mr Flander:** Of identifying?

[189] **Jeff Cuthbert:** Yes.

[190] **Mr Flander:** We would hope that, as part of the PMC and through being involved with WEFO, with the delivery, the SETs and so on, we can give clear messages to the third sector. We hope to develop schemes such as the gateway scheme and prove the value of third sector involvement in that process. Part of that process would be a project that was specifically identified for the third sector, but that is open to discussion. We can communicate and work with organisations to make them realise that, but it makes it easier if you know that you will fund x, y and z projects in the next round. If we know that we will get reduced or tapered funding, it makes strategic sense to say, 'These projects work. They are working; they have proved through evaluation that they are working. What we want to do is continue those projects or a modification of them that moves them somewhere else'. We should be clear and honest with people when we are starting that process. That way, we will not build up people's hopes by letting them think, 'Oh, it doesn't matter. My project will still get funding'. We must be honest with people. The problem is that I have already heard discussions about Wales perhaps qualifying yet again for convergence money, which only leads people to think, 'Oh, it doesn't matter. We can deliver'. It is about a striking a balance in identifying the projects that we really want to support, so that 80 per cent of the money that we use for the next round of

structural funds goes on those types of activities, and the other activities that we will do around that will complement those projects so that people are clear about what is going forward.

[191] Judith can probably give a more substantial answer on competitiveness.

[192] **Ms Stone:** The competitiveness area is a good model for how we might move forward, because a relatively small number of ESF projects in particular are being delivered. If organisations want to be involved in that delivery, that is what they need to focus on. If they are not relevant to their core activities, they should look elsewhere. I absolutely back up what you said, Phil.

[193] On sustainability and exit strategies from convergence, I do a lot of work with third sector project sponsors on whether they will exit these projects that are now being funded by convergence and close them down in a managed way, or whether they will look to have a succession plan or continuation funding. So, we are doing a lot of work with that core group of sponsors. On organisations that are contracted to deliver European-funded projects, potentially, one of the positive legacies of this programme is that those organisations are now more familiar with contracting. They are improving their skills, confidence and abilities to contract so, hopefully, after structural funds taper off, they will still have those skills and the ability to engage with other forms of contracting.

[194] **Ms White:** As an organisation that disperses funds, whether they are European or grant funds, we write sustainability and exit strategies into the application process, so we are asking organisations to look at that and to show us a plan from the moment that they ask for funds.

[195] **Gareth Jones:** We have now come to the end of our scrutiny session. I thank you very much for your contributions, both the written contribution and the discussions that we have had this morning. They have been very helpful, helping us to focus on key issues and, as you will know from the questioning, there are areas that we are looking at. It is good to get this information coming our way from people who are engaged on the front line. We have covered a good range of topics: we have looked at the practicalities involved, what we hope the outcomes will be, the follow-up and so on, and you have mentioned the legacy. So, it has been a useful session and I want you to know that we appreciate your contribution very much and wish you well in your work in the third sector.

[196] Mae gennym bapurau i'w nodi, We have papers to note, 'Structural funds: 'Cronfeydd strwythurol: gweithredu rhaglen Implementation of the 2007-2013 2007-2013—Cymdeithas Seryddiaeth programme—Swansea Astronomical Society' Abertawe' a chofnodion y cyfarfod blaenorol. and the minutes of the previous meeting.

11.05 a.m.

Cynnig Trefniadol Procedural Motion

[197] **Gareth Jones:** A wnaiff un o'r **Gareth Jones:** I ask that one of the Members Aelodau gynnig ein bod yn mynd yn breifat? propose that we move into private session.

[198] **Nerys Evans:** Cynigiaf fod **Nerys Evans:** I move that

y pwyllgor yn penderfynu gwahardd y the committee resolves to exclude the public cyhoedd o weddill y cyfarfod yn unol â Rheol from the remainder of the meeting in

Sefydlog Rhif 10.37(vi).

accordance with Standing Order No. 10.37(vi).

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

Derbyniwyd y cynnig.
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11.15 a.m.
The public part of the meeting ended at 11.15 a.m.