



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Mercher, 30 Mai 2012
Wednesday, 30 May 2012

Cynnwys **Contents**

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

Effeithiolrwydd Cyllid Strwythurol Ewropeaidd yng Nghymru
The Effectiveness of European Structural Funding in Wales

Papurau i'w Nodi
Papers to Note

Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Meeting

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg. Mae hon yn fersiwn ddrafft o'r cofnod. Cyhoeddir fersiwn derfynol ymhen pum diwrnod gwaith.

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. This is a draft version of the record. The final version will be published within five working days.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

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

Eraill yn bresennol
Others in attendance

Alun Davies	Aelod Cynulliad, Llafur (y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a Rhaglenni Ewropeaidd) Assembly Member, Labour (Deputy Minister for Agriculture, Food, Fisheries and European Programmes)
Damien O'Brien	Prif Weithredwr, Swyddfa Cyllid Ewropeaidd Cymru Chief Executive, the Welsh European Funding Office
Jonathan Price	Prif Economegydd, Llywodraeth Cymru Chief Economist, Welsh Government

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Tom Jackson	Clerc Clerk
Ben Stokes	Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 9.29 a.m.
The meeting began at 9.29 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** I welcome everybody to this meeting of the Finance Committee. The meeting is bilingual and headphones are available for translation on channel 1 and for amplification on channel 0. I remind you to check that your mobile phones and other electronic equipment are switched off, because they interfere with the translation equipment. This is a formal meeting, so you do not need to operate the microphones yourselves. We are not expecting a fire drill, so, if you hear the alarm, follow the direction of the ushers.

9.30 a.m.

Effeithiolrwydd Cyllid Strwythurol Ewropeaidd yng Nghymru The Effectiveness of European Structural Funding in Wales

[2] **Jocelyn Davies:** I thank the Deputy Minister for coming to see us this morning to give evidence. Would you introduce yourself, and those with you, for the record before we go into questions?

[3] **The Deputy Minister for Agriculture, Food, Fisheries and European Programmes (Alun Davies):** Thank you very much, Jocelyn. My name is Alun Davies, and I am the Deputy Minister for Agriculture, Food, Fisheries and European Programmes. With me this morning are Damien O'Brien, the head of the Welsh European Funding Office, and Jonathan Price, the Welsh Government's chief economist.

[4] **Jocelyn Davies:** Thank you. We will go straight to questions, Deputy Minister, if that is okay with you. If we have some time at the end, you will be able to make some comments that you would like to put on the record. I will start off with the first question. The Wales infrastructure investment plan mentions that the Welsh Government's next generation broadband project will receive £70 million of funding from the European regional development fund. We know that the WEFO website said on 15 May that this had not yet been approved, and we know that major projects of over £50 million also need European Commission approval. Can you tell us whether this project has formally been approved by the Commission and by WEFO?

[5] **Alun Davies:** It has certainly been approved by WEFO; it was approved by WEFO at the end of April. It is awaiting approval from the European Commission. We anticipate that that approval will come through by the end of July, so the website probably refers to the whole process, rather than one particular part of it.

[6] **Jocelyn Davies:** So, once you get approval from the Commission, it will then be clarified on the website.

[7] **Alun Davies:** Yes. It is classified as a major project, so it has to through a wider agreement process.

[8] **Jocelyn Davies:** Okay, thank you. Could you outline and quantify the targets that are associated with the competitiveness and convergence next generation broadband projects?

[9] **Alun Davies:** In terms of the overall targets we have in the convergence area, it is 300 open access infrastructure points. In the competitiveness area, it is 50 such points, so it will hopefully achieve 100% of those targets. We are very clear on that. Damien, do you want to outline in more detail what that means?

[10] **Mr O'Brien:** The main driver behind this project is to open up access opportunities for businesses, communities and individuals across Wales, because this project will cover the convergence region and east Wales. That is measured in terms of access points that can feed the broader distribution of that digital access. We have carried out a full value-for-money assessment of this project. It is clearly a major project, so it has to go to the Commission for consideration. However, the east Wales project is smaller in scale so we can approve that ourselves. We expect that to be approved probably over the coming month.

[11] **Jocelyn Davies:** What consideration has been given to assessing the impact these projects will have on the Welsh economy?

[12] **Mr O'Brien:** This project will have been the subject of a full cost-benefit analysis in terms of the access levels that currently exist and how this investment could help to boost those access levels, and also to address access in notspots and to open up opportunities that are not currently available for people to undertake business activities from their own homes. So, there will have been a full cost-benefit appraisal of this, which we can make available to the committee. The Commission requires that as part of the major project assessment process.

[13] **Alun Davies:** It is important to note that we are also looking to test the market to look at how we deliver those projects. It is one thing to establish a project, set targets and understand what you seek to deliver. I know that a number of your witnesses have spoken about procurement issues and the rest of it, but we are also looking to ensure that the way we deliver the project is the most cost-effective solution so that we maximise value to the Welsh taxpayer.

[14] **Jocelyn Davies:** Ieuan, did you want to come in on this?

[15] **Ieuan Wyn Jones:** Mae'n rhaid cofio mai'r bwriad gwreiddiol oedd cwblhau mynediad i fusnes i fand-eang cenhedlaeth newydd erbyn 2015-16, ac i bob unigolyn erbyn 2020. A yw'r targedau hynny yn dal gennyh?
Ieuan Wyn Jones: I remind you that the original intention was to provide access for businesses to new generation broadband by 2015-16, and for every individual by 2020. Are those the targets that you still have?

[16] **Alun Davies:** Dyna'r math o dargedau yr ydym yn edrych arnynt.
Alun Davies: Those are the kinds of targets that we are looking at.

[17] **Ieuan Wyn Jones:** Are they fixed targets?

[18] **Alun Davies:** Yes.

[19] **Ann Jones:** You started to touch on procurement, Deputy Minister, and Tidal Energy Ltd has given us both written and oral evidence, stating that procurement rules can inhibit innovation and stifle cost-effective delivery. What is your response to that?

[20] **Alun Davies:** I read the transcripts from that evidence session and, overall, I thought that it was positive about the relationship with WEFO. At numerous points in its evidence, along with a farming business that was giving evidence during the same session, it gave positive responses to your questions on procurement and on how WEFO worked with it.

[21] On where we are with procurement, we know that procurement can sometimes be difficult and there are different views on it. Procurement offers us an open, transparent and fair way of achieving value for money. We are looking at how we do procurement and we will review how we do it to ensure that it is streamlined and effective. However, I must tell you—and I am sure that this will come up if we discuss monitoring this morning, and I know

that witnesses have raised it with you—we operate in a legislative framework where demands are made of us. There is sometimes the view, and I think that some witnesses expressed it, that many of these demands are somehow generated by WEFO and the Welsh Government. We are managing agents for the European Commission in much of this and we have to ensure that how we operate meets the demand of the regulations that are established to govern these funds and to ensure that we generate best value for money for the Welsh taxpayer. So, we do not always have a completely free hand in these matters. I have read some of your evidence and have felt that, in describing demands that were being made by WEFO in order to deliver the requirements of the regulations, people's perception was that WEFO was making those demands because of its own structures. So, in terms of our debate this morning, I want to make that clear at the beginning.

[22] On procurement, however, it is fair to say that it has also been a positive process for many businesses and partners—and Damien will correct me if I am wrong—in terms of the figures here. It opens up the ability of business to compete for and to win contracts within the EU funding streams. I think that nearly 1,000 contracts, worth £430 million, have been won by different businesses across Wales because we have this open procurement process. I would argue that that is the strong benefit of the procurement process. I understand that it can sometimes appear onerous, and we will review how we do it, but it might well be a case of the benefits outweighing the disadvantages.

[23] **Ann Jones:** So, is Tidal Energy Ltd wrong to say that the procurement rules can inhibit innovation and stifle cost-effective delivery?

[24] **Alun Davies:** Looking at the totality of its oral evidence to you, after reading the transcript, I felt that the balance of what it was saying was that its experience of going through these processes was more positive than negative. That was my interpretation of it.

[25] **Paul Davies:** Dywedasoch yn gynt eich bod yn mynd i adolygu'r rheolau caffael. A alwch chi ddweud wrth y pwyllgor pa bryd yr ydych yn golygu gwneud hynny? A oes gennych yr hyblygrwydd i wneud hynny fel Llywodraeth?

Paul Davies: You said earlier that you were going to review the procurement rules. Can you tell the committee when you intend to do that? Do you have the flexibility to do so as a Government?

[26] **Alun Davies:** Byddaf yn gwneud datganiad cyn toriad yr haf ar sut yr ydym yn adolygu ein strwythurau i reoli'r cronfeydd o dan ein rheolaeth. Byddaf yn gwneud datganiad i sicrhau bod y Cynulliad yn deall ein huchelgais ar gyfer y cylch nesaf.

Alun Davies: I will make a statement before the summer recess on how we review our structures to manage the funds that are under our control. I will make a statement to ensure that the Assembly understands our ambition for the next round.

[27] Hoffwn wneud dau bwynt. Ni fyddwn yn gwybod yn union pa reolau fydd gennym ar gyfer y cylch nesaf am gyfnod hir eto. Felly, nid ydym yn deall y rheolau y bydd yn rhaid i ni eu gweinyddu eto. Bydd yn rhaid i ni gydnabod, deall a derbyn y rheolau hynny. Fodd bynnag, mae'r strwythurau sydd gennym fel Llywodraeth i weinyddu'r rheolau yn rhywbeth yr ydym yn gallu ei adolygu ar hyn o bryd, a byddwn yn adolygu'r rhain dros ail hanner eleni. Hoffwn i—ac rwy'n dal i weithio ar hyn—wneud datganiad am adolygu'r rhain cyn toriad yr

I would like to make two points. We will not know exactly what rules we will have for the next round for a long time yet. So, we do not yet understand what rules we will have to apply. We will have to acknowledge, understand and accept those rules. However, the structures that we have as a Government to apply the rules are something that we can review now, and we will be reviewing them during the second part of this year. I would like—and I am still working on this—to make a statement about reviewing them before the summer recess, and I hope to be in

haf a gobeithio y byddaf mewn sefyllfa i adrodd yn ôl i'r Cynulliad cyn egwyl y Nadolig. a situation to report back to the Assembly before the Christmas break.

[28] **Paul Davies:** Felly, ar hyn o bryd, adolygu'r strwythur fyddwch chi, yn hytrach na'r rheolau. **Paul Davies:** Therefore, for now, it is the structure that you will be reviewing, rather than the rules.

[29] **Alun Davies:** Y strwythur a'r systemau. **Alun Davies:** The structure and the systems.

[30] **Peter Black:** Still on Tidal Energy Ltd's evidence, I will start by turning Ann's question on its head. On the review that you are undertaking of the procurement process, what scope does WEFO have to adopt a more flexible approach when you have innovative projects operating in niche areas and a limited field of potential contractors?

[31] **Alun Davies:** The approach that I would like us to take is one that maximises flexibility within the rules. The rules are clearly there, and we always have to operate within the regulations. That would be accepted across the Assembly, but we have to look for flexibility and opportunities to be agile in our approach to these matters. That is almost a cultural approach to these things, is it not? We have the rules, which are partly laid down for us by the European Commission and the institutions of the European Union. How we manage, implement and deliver projects within those rules is more a responsibility for us. We obey the rules and regulations. We do not try to play games with them, but we do so in a flexible and, I hope, agile way. Is that a good way of expressing it?

[32] **Mr O'Brien:** We need to view procurement in a much more positive light. I know that there are issues around process, and the public sector in particular needs to get better at managing procurement. However, procurement delivers better value for money, it opens up innovation because it encourages into the market organisations that may not previously have been associated with a particular business and, as the Deputy Minister indicated at the outset, it opens up opportunities, particularly in structural funds, for private and third sector organisations to get involved in the programmes. In addition to the 1,000 plus private sector organisations that are involved in delivering projects, there are more than 300 third sector organisations that have come in through the procurement route. They can make a profit and they do not have to manage the bureaucracy that inevitably comes with European funding, and that is because of procurement. There are issues with the process that we need to address, but I do not think that we should lose sight of the fact that procurement brings real benefits to the way in which the programmes are implemented in Wales.

[33] **Peter Black:** Accepting that you have those rules within which you have to work, how much room for manoeuvre do you have in projects such as Tidal Energy?

[34] **Mr O'Brien:** We assess every project on its merits. If an organisation can demonstrate to us that there is not a market, you can take a different approach to procurement. In the case of Tidal Energy, this is a growing market, and there are many organisations trying to get a foothold in it. We took the view that it should procure for this delivery activity, which it has done now for phase 2, which is ongoing. Ultimately, it is up to the projects to take their own advice on these issues and to ensure that they are compliant with the legislation.

[35] **Peter Black:** Maybe the issue is one of communication between WEFO and the project sponsor. Tidal Energy told us that, as a project sponsor, it was not allowed to liaise directly with legal or procurement officials at WEFO and Value Wales. However, it was allowed direct access to officials for advice on other issues. What is the reason for restricting project sponsors in that way, especially when you say that you want that flexibility?

9.45 a.m.

[36] **Mr O'Brien:** They can have access to Value Wales for advice on procurement processes and procedures. That is part of the raison d'être of Value Wales. WEFO uses the Welsh Government's legal services, and Government legal advice is kept within Government. Clearly, we act on that advice, but the Welsh Government's legal services are not available to private third sector organisations. They are required, under the terms of our agreement, to seek their own legal advice.

[37] **Peter Black:** Do you not think that it would be helpful for organisations such as Tidal Energy Ltd, when faced with these sorts of rules and bureaucracy, to have access to officials to help to guide them through it?

[38] **Mr O'Brien:** They do.

[39] **Peter Black:** They told us that they did not, you see.

[40] **Mr O'Brien:** The way that we have organised things for the current round of programmes is to give every project sponsor a nominated PDO, or project development officer, who is one person they can deal with throughout the life cycle of a project, taking them through the development into the approval stage. That will have been the case with Tidal Energy. It would have had that point of contact, but it may not have got the specialist legal advice that it may have needed. It was also operating in an area that required considerable planning consent, and environmental impact assessments had to be carried out. So, that is a responsibility that really falls to the applicant for European funding, to make sure that they are compliant with those legislative requirements.

[41] **Peter Black:** Sometimes, rather than getting detailed legal advice, it is a question of holding their hand and pointing them in the right direction.

[42] **Alun Davies:** We can discuss and define what the role of WEFO and Government is on these projects, and perhaps that is where your question is leading. My feeling is that it is the role of Government to advise, to hand-hold and to work with, but not to do. If we are working with partners, it is not the role of Government to do everything for these people; it is rather to enable them to deliver these projects themselves. That means that they also have responsibilities to ensure that they seek advice and that they have access to advice and support outside Government to ensure that they can maximise the use of advice that they receive from Government. So, it is important to understand the role of Government and of Government agencies as part of this as well as the responsibilities of project sponsors.

[43] **Peter Black:** I have one last question, because I am trying to reconcile the evidence that you have just given to us, Mr O'Brien, with the evidence that we had from Tidal Energy. Its representatives said that they were told that they could not liaise directly with Value Wales, and you have just told us that they did have access to Value Wales. How do we reconcile those two pieces of evidence?

[44] **Mr O'Brien:** The issue is about what it is looking for. If it is looking for legal advice, Value Wales will not give that to them. If it is looking for advice on process and procedure, I think that it would get that from Value Wales, but that would need to be confirmed by Value Wales. I do not know the details of its operation, but my understanding is that it is there for a specific purpose.

[45] I will mention just one other thing. The European Commission published guidance on financial control around procurement in 2008, and that allows it to impose penalties on

project sponsors and, if those issues are found to be systemic, on the programmes, where people get procurement wrong. Getting procurement wrong is the biggest reason for the disallowance of funds across the European Union in cohesion policy. So, the auditors are very hot on that, and as a result we now undertake advisory visits to every project that is involved in procurement in the early stages of implementation, just to make sure that they are going about it in the right way. That is because we have a responsibility not only to ensure that they do not get themselves into difficulties—and getting it wrong could lead to some of these organisations having real financial difficulties—but also to the programme, because if a number of our project sponsors get procurement wrong, the European Commission could say that it was systemic and could impose a penalty on the programmes of between 25% and 100% of the funding. So, it is a big risk for us.

[46] **Peter Black:** That is all the more reason to allow access to Value Wales, then.

[47] **Christine Chapman:** I want to press the Deputy Minister on the procurement rules. I accept Damien's comments that the audit trail is very important and, obviously, projects do not want to be put at risk. However, I wonder how satisfied you are that these rules are absolutely clear to even the smallest organisation. I am aware that you said that you are going to review that, but that is for the future. So, how satisfied are you that every organisation is absolutely clear about these rules? This is where frustration could crop up, I think.

[48] **Alun Davies:** Yes, and I have seen evidence from different organisations reflecting that. A review of public procurement is taking place within Government at the moment, as Members are aware. It will be very useful to see the results of that. It will certainly inform our work here. Can I give you that assurance? Clearly, I cannot. We can provide information, help and support for project sponsors with regard to how they manage the projects for which they have responsibility. However, at the end of the day, they must ensure that they themselves are happy that they understand the rules and have access to sufficient advice to ensure that they are acting within the rules. We can hold hands and we can certainly provide support for them, but I would say that the project sponsors have a responsibility as well.

[49] Chris, as you are aware, I made a statement a couple of weeks ago on future funding priorities, and principles and the rest of it. One of the things I said then was that we would be looking for bigger, more strategic projects in future, which we hope will have a greater impact, given the objectives and outcomes of these quite large programmes. I think that there will be an expectation that, for these bigger projects, project sponsors will be able to understand and manage these processes.

[50] **Jocelyn Davies:** Deputy Minister, I was not under the impression that Tidal Energy Ltd was expecting the Welsh Government to do everything for it. I know that you read the transcript, but there was certainly a feeling that people were very frustrated and determined to see it through. I thought that they were highly professional. However, we heard evidence from other organisations, voluntary organisations, about the competitive procurement route and how it was inappropriate for them. In the paper that you submitted to us previously, I noticed that paragraph 17 stated that there is a stronger emphasis on open and competitive procurement to ensure value for money and, as we heard from Mr O'Brien earlier, fair and open access to the benefits. However, in that same paper, in paragraph 22, there is reference to the fact that WEFO published revised guidance on procurement in October 2010 referring to introducing opportunities for projects to use competitive grants. Was there a change in the European rules leading up to October 2010, which meant that you could now do that, or was it the case that that was available to you anyway but that it was the policy of WEFO to have the stronger emphasis on competitive procurement?

[51] **Mr O'Brien:** Perhaps I could answer that. I think it fair to say that WEFO and many of our project sponsors have gone through a period of learning throughout this programme.

We are certainly using procurement much more in this programme round than we did in previous rounds—

[52] **Jocelyn Davies:** What I am trying to clarify is whether you had to do that because of the European rules. We have heard from the Deputy Minister today that we have to stay inside the European rules—and no-one here is asking to break European rules. What I am trying to ascertain is whether that was a European rule or whether it was your choice to have a stronger emphasis on procurement but that, when it was not working out for everyone, you changed the guidance, in October 2010, so that competitive grants could also be used?

[53] **Mr O'Brien:** There are two basic points to make on the policy for the programmes. One is that the European Commission and its auditors were clearly getting much more vigilant in this area because of the number of consecutive qualifications of accounts by the European Parliament. We were on notice, as were all managing authorities, that auditors were going to be much tougher on procurement legislation and would seek to ensure that managing authorities were policing this part of the legislation more effectively.

[54] The second thing was that we decided to move to a more strategic approach to implementing the programmes, which meant that we would have fewer and larger projects, but we wanted to involve the private sector and the third sector very much in the delivery of those projects, and procurement was a way of doing that. I am not going to pretend that we got it right from the start; we had to review our guidance, and I hope that the guidance that we now have is much clearer. We have also prepared specific guidance for certain groups of sponsors, such as the further education sector and the third sector. As a result of that work, and the dialogue that we had with sponsors, we decided that we could introduce this approach of competitive grants while staying within the existing legislation. So, the legislation had not changed, it was just an opportunity that we saw to make things a bit easier for certain types of projects in the third sector. The guidance was revised to open up that opportunity.

[55] **Alun Davies:** May I make a point? That takes us back to the agility and flexibility that I tried to emphasise in earlier answers.

[56] **Julie Morgan:** We have certainly had evidence that it is difficult for small organisations in the third sector and that the competitive element is difficult for them to deal with. Has that been reported to you?

[57] **Mr O'Brien:** It has.

[58] **Julie Morgan:** What has been your reaction to that?

[59] **Mr O'Brien:** We have worked with the Wales Council for Voluntary Action and provided funding for it to provide training for third sector organisations. We have also supported projects such as the gateway project, which allows the WCVA to disperse smaller amounts of money to a broader range of smaller third sector organisations. We have sought to be creative within the scope of the legislation. We are still learning. For the next programme round, as the Deputy Minister has indicated, I am sure there is more that we can do with regard to streamlining and making things easier for project sponsors. We will do that within the scope of what the legislation provides.

[60] **Ann Jones:** On that point, have I heard this correctly? Are you providing funding to the WCVA for it to help people do what you should be doing, in helping people and telling them what the process is? Are you subcontracting out, in a way?

[61] **Mr O'Brien:** We are working in partnership with organisations.

[62] **Ann Jones:** That is subjective, is it not? I can say ‘subcontracting’; you can say ‘partnership’.

[63] **Mr O’Brien:** We are required to implement the programmes in partnership anyway. We do that because we think that it makes things better. The WCVA has access to organisations that we do not have. It knows those organisations and is more sensitive to their needs. We provided funding through the 3-SET arrangement—the third sector spatial European team.

[64] **Ann Jones:** So, where does WCVA get the trainers from? Who provides the training that you are giving the funding for? Who does the eventual training, whether it is paid for by the WCVA or someone else? Who does that training?

[65] **Mr O’Brien:** I do not know the detail, but I can find out.

[66] **Ann Jones:** Surely, it should be your officials.

[67] **Mr O’Brien:** My officials would know. They may have worked with Value Wales.

[68] **Ann Jones:** Your officials should be doing the training, should they not, or am I wrong?

[69] **Mr O’Brien:** WEFO officials have to have an understanding of procurement legislation in order to be able to do their part of the process. I have another group of people who go out to inspect projects and they need to know a bit more about the processes and procedures so that they can ensure that projects are doing things in a compliant way. We would not suggest for a moment that we were experts on procurement. We go to Value Wales and to our legal services for advice.

10.00 a.m.

[70] In relation to the project with the third sector, they may well have gone to procurement specialists on the outside and arranged for them to provide training to the third sector, or they may have worked in partnership with Value Wales. I do not know the detail of it, but I can certainly find out.

[71] **Jocelyn Davies:** The Deputy Minister wants to make a point, and then we must move on to Ieuan’s question.

[72] **Alun Davies:** I want to keep a focus on the purpose of these funds—why they are there and what they exist to do. They exist to improve the life chances of people in some of our poorest communities, to underpin economic growth and to strengthen the fundamental basis of some of our most fragile communities across Wales. We have got to keep the focus on that, the objectives and the outcomes. Clearly, the processes that we deploy in order to deliver those outcomes are critically important. I accept that it may well be that we say that if we are to deliver these objectives and outcomes for people—the people who I represent in Blaenau Gwent and the people who other Members represent elsewhere—we must keep a focus on what we are going to achieve. That is why we work alongside the WCVA to ensure that the third sector is involved in that. I have tried to do a lot more in terms of business involvement in the next round in the last few months, through the Welsh Government, local authorities and other elements of the public sector. However, for me, the project sponsor must be able to deliver the project, because the people whom that project serves require that and have a right to demand that. We must ensure that they have the support to do it, but let us keep the focus on outcomes, not simply on the process.

[73] **Jocelyn Davies:** I know that Chris wants to come in. I take your comments on board, Deputy Minister. However, some of these projects that are delivering for fragile communities, in areas like Blaenau Gwent, are voluntary organisations from within those very communities. However, we have just heard from officials at WEFO that this expertise in terms of procurement is even beyond them. So, it is very difficult for voluntary organisations. It would be impossible for a small voluntary organisation to have that expertise or perhaps to afford to purchase it in. Chris, do you want to make a point on that?

[74] **Christine Chapman:** I think that everyone would agree with your sentiment, Deputy Minister, that we have to get this right. However, there are so many people involved, and Damien mentioned that the bigger, more strategic projects will be working with smaller projects to deliver. So, it makes sense that those bigger projects get it right in terms of communicating the rules and procurement rules, for example. This is where it has got quite messy and frustrating. So, I hope that we can learn lessons from that. Clarity is so important, because, otherwise, you are going to turn off a lot of people with those initiatives and those ideas—

[75] **Alun Davies:** I am—

[76] **Jocelyn Davies:** It is okay, Deputy Minister, Chris has not actually asked you a question. However, you can take this opportunity to say, in a one-word answer, whether you agree with Chris or not. We have to move on, and I am sure that we will return to this later. However, you are catching the Mike Hedges disease there, Chris, of not framing your question as a question. [*Laughter.*]

[77] **Alun Davies:** I disagree that it is messy, but I understand that it may be frustrating. We are delivering large sums of public money and we have a responsibility to ensure that that is done properly, not only within the law and the rules, but fairly as well. That can sometimes be frustrating for some people. I understand that. However, if we allowed, not a free-for-all, but if we over-interpreted some of the rules, then we would be back here quite soon discussing other matters.

[78] **Jocelyn Davies:** Yes. I do not think that Chris was suggesting a free-for-all. We now move on to Ieuan's question.

[79] **Ieuan Wyn Jones:** Rydych chi a Damien O'Brien wedi gwneud amddiffyniad glew o'r egwyddor o gaffael y bore yma; ni fyddem yn disgwyl ichi wneud unrhyw beth arall. Y broblem yw mai dim ond un cwmni allan o'r holl rai a roddodd dystiolaeth i ni sydd wedi dweud bod y broses hon yn hawdd. Mae pawb arall, boed yn fudiadau bach gwirfoddol neu'n gwmnïau preifat, yn dweud fel arall. Rydych wedi sôn am brosiectau strategol, ond gallaf ddweud wrthyh fod pob prifysgol, sy'n fudiadau mawr sydd â swyddogion caffael sydd â phrofiad yn y maes hwn, wedi dod yma a dweud wrthym fod ganddynt broblem gyda'r prosesau caffael. Felly, y cyfan rydym yn gofyn ichi ei wneud yw derbyn—rydych yn amlwg yn credu bod yr egwyddor yn un iawn—ei bod yn amlwg bod problem o ran y prosesau, neu ni fyddem wedi cael yr holl

Ieuan Wyn Jones: You and Damien O'Brien have given a staunch defence of the principle of procurement this morning; I would not expect you to do anything else. The problem is that only one company out of all those that have given evidence to us said that it found this process to be easy. Everyone else, whether they are small voluntary organisations or private companies, has said otherwise. You mentioned strategic projects, but I can tell you that every university, which are large institutions and which have procurement officers who have experience in this field, have come here to tell us that they have a problem with the procurement processes. Therefore, all we are asking you to do is accept—you evidently think that the principle is right—that it is obvious that there is a problem in terms of the processes, or we would not have had all this evidence, and I

dystiolaeth hon, a byddwn yn falch pe baech yn cydnabod hynny.

[80] Mewn adroddiad diweddar, mae'r Pwyllgor Menter a Busnes wedi amlygu un broblem sef bod diffyg cymwysedd gan nifer o swyddogion yn y maes caffael. A fydddech chi'n derbyn hynny ac, os felly, oni ydych yn credu y gallai'r Llywodraeth wneud rhywbeth i sicrhau, pan mae'r ceisiadau yn digwydd o hyn ymlaen, bod gan swyddogion caffael ar bob lefel y cymhwysedd i ddelio â'r ceisiadau?

[81] **Alun Davies:** Rwy'n derbyn dy osodiad di bod pobl yn cael caffael yn anodd ambell waith, ac rwyf wedi dweud yn glir wrth y pwyllgor y byddwn yn edrych ar gaffael yn ystod y cyfnod nesaf er mwyn sicrhau ein bod yn dysgu gwersi. Mae Damien wedi dweud bod proses o wella, dysgu gwersi a symud ymlaen wedi bod yn digwydd yn ystod y pedair blynedd diwethaf. Rydym yn deall hynny ac yn deall bod busnesau a sefydliadau o bob math yn wynebu problemau ambell waith wrth weinyddu'r prosiectau hyn. Rydym yn derbyn hynny. Mae Damien hefyd wedi dweud yn eithaf clir ei fod e a WEFO yn fodlon dal dwylo pobl, siarad â nhw a gweithio trwy hyn ac, wrth ymateb i Ann, dywedodd ein bod yn cydweithio gyda mudiadau megis y WCVA i wneud hynny gyda sectorau gwahanol. Felly, rydym yn deall hynny, ac yn deall lle rydym arni o ran caffael, a bod pobl yn cael problemau weithiau. Rydym yn ystyried ac yn mynd i adolygu'r ffordd rydym yn gweithio yn ystod gweddill eleni.

[82] Hoffwn i'r pwyllgor ddeall, pan fyddaf yn gwneud y datganiad yr wyf wedi dweud y byddaf yn ei wneud cyn toriad yr haf—ymhen rhyw chwe wythnos—byddaf yn gosod cylch gorchwyl a fydd yn edrych ar sut fyddwn yn gweinyddu, rheoli a monitro prosiectau ar gyfer y rownd nesaf. Mae gennym rybudd i chi, fel yr esboniais wrth Paul, sef nad ydym yn gwybod yn union beth yn union fydd y rheoliadau ar gyfer y rhan nesaf, felly efallai bydd rhaid inni ddysgu gwersi a newid rhywfaint oherwydd hynny, ond rydym yn mynd i adolygu eto y ffordd rydym yn gwneud hyn, ac rwy'n ddigon hapus, Jocelyn, i ddod yn ôl at y pwyllgor

would be grateful if you could recognise that.

In a recent report, the Enterprise and Business Committee highlighted one problem, namely the lack of competence of a number of officers in the procurement sector. Would you accept that and, if so, do you not believe that the Government should do something to ensure that, when the applications come in from now on, procurement officers on every level have the competence to deal with those bids?

Alun Davies: I accept your statement that people find procurement difficult on occasion, and I have stated clearly before committee that we will look at procurement during the next phase to ensure that we learn lessons. Damien has said that a process of improvement, learning lessons and moving on has been under way over the past four years. We understand that and understand that businesses and organisations of all sorts face problems on occasion in administering these projects. We accept that. Damien has also stated quite clearly that he and WEFO are willing to hold people's hands, to talk to them and to work through the processes and, in response to Ann, he said that we are working with organisations such as the WCVA to achieve that with the various sectors. So, we understand where we are with procurement, and we understand that people have problems on occasion. We are looking at this and we will be reviewing our ways of working during the rest of this year.

I would like the committee to understand that, when I make the statement that I have said that I intend to make before the summer recess—in about six weeks—I will set out terms of reference that will look at how we administer, manage and monitor projects for the next phase. We do warn, as I explained to Paul earlier, that we do not know exactly what the regulations will be for the next phase, so we may need to learn some lessons and make some changes because of that, but we will review once again the way that we approach this, and I am content, Jocelyn, to return to this committee to discuss the conclusions of that towards the end of the

hwn i drafod casgliadau hynny tuag at diwedd y flwyddyn. Fel rhan o'r adolygiad, bydd adroddiad y pwyllgor ar y pwnc hwn yn ddogfen werthfawr. Hefyd, os yw aelodau'r pwyllgor am gymryd rhan yn yr adolygiad, rwy'n croesawu hynny, ac rwy'n estyn gwahoddiad i bob Aelod sydd yma i wneud hynny.

[83] **Ieuan Wyn Jones:** Roedd y cwestiwn a ofynnais yn y diwedd yn ymwneud â chymhwysedd swyddogion caffael. Mae'n rhaid inni gydnabod bod hwnnw'n fater o bryder ar draws y sector cyhoeddus, os ydym yn sôn am swyddogion awdurdodau lleol, swyddogion y Llywodraeth neu swyddogion sy'n delio â hyn ar yr ochr arall. A ydych chi'n credu y dylid ystyried edrych ar hynny?

[84] **Alun Davies:** Ieuan, rwy'n eich cofio chi yn dod yma fel Gweinidog ac yn cydnabod bod problem o ran caffael yn y sector cyhoeddus ambell waith a bod rhaid inni wella sgiliau yn y sector cyhoeddus. Roeddwn yn cytuno â chi bryd hynny, ac rwy'n cytuno â chi yn awr.

[85] **Ieuan Wyn Jones:** Cwestiwn gan y pwyllgor yw hwn; peidiwch â'i bersonoli, Ddirprwy Weinidog.

[86] **Alun Davies:** Rwy' ond yn cytuno â chi, Ieuan.

[87] **Ieuan Wyn Jones:** Ydych chi'n cytuno â'r pwyllgor?

[88] **Alun Davies:** Ydw.

[89] **Jocelyn Davies:** I do not think that we are not suggesting that this is anything new since you have become Deputy Minister.

[90] **Ieuan Wyn Jones:** Absolutely not.

[91] **Alun Davies:** I am pleased that you are not. The point that I wanted to make is a wider one and is one that we need to look at in a wider sense.

[92] **Jocelyn Davies:** We accept that.

[93] **Mike Hedges:** When I was dealing with this 10 years ago, some of the problems were very similar.

[94] **Alun Davies:** I am glad that you have put that on the record. *[Laughter.]*

year. As part of the review, the committee's report on this issue will be a valuable document. Also, if committee members wish to participate in the review, I would welcome that engagement, and I extend an invitation to each Member here to do so.

Ieuan Wyn Jones: The question that I asked in the end related to the competence of procurement officers. We have to acknowledge that that is a matter concern across the public sector, whether we are talking about local authority officers, Government officials or officials who deal with this on the other side. Do you think that it would be worth considering looking at that?

Alun Davies: Ieuan, I remember you coming here as Minister and acknowledging that there was a problem with procurement in the public sector on occasion and that we have to improve skills in the public sector. I agreed with you then, and I agree with you now.

Ieuan Wyn Jones: This is a question from the committee; do not personalise it, Deputy Minister. Do you agree with the committee?

Alun Davies: I am just agreeing with you, Ieuan.

Ieuan Wyn Jones: Do you agree with the committee?

Alun Davies: Yes.

[95] **Mike Hedges:** I do not think that you can be held personally responsible for most of it—

[96] **Alun Davies:** It feels like it sometimes, Mike.

[97] **Mike Hedges:** I agree entirely that it is all about outcomes—what comes out at the end and not how we get there. To ask more general questions, are you satisfied with the current arrangements within WEFO for delivering structural funds in Wales? Do you have any plans to change the management of the organisation and support arrangements in preparation for the next round?

[98] **Alun Davies:** I am broadly satisfied with the performance of WEFO and of Welsh Government officials in a wider sense in the delivery of programmes in the current round. However, as I just said in response to Ieuan Wyn Jones, we always need and it is a good thing to review our structures, our processes and how we work. Chair, I would like the committee to recognise—when I make the statement to the Assembly, I will emphasise this as well—that any review that I undertake should be seen in a neutral or positive light and not in a negative light. It is not a negative response to perceived problems. It is good practice in Government, every so often, and we are in a good place at the moment, to conduct a review of processes and structures within Government. We are doing this in order to improve, not to address problems. We are doing it to learn lessons, not to solve problems. We are doing it to ensure that when the next round of programmes begins, we will have structures that are fit for purpose and that have been refreshed and renewed by a debate and discussion about how we deliver and manage these projects. So, I am anxious to emphasise that any review that we undertake is a positive exercise; it is not a review because we feel that we have problems, but a review from what is possibly a position of strength. It is important to put that on the record.

[99] **Jocelyn Davies:** We accept that, Deputy Minister. We have 16 questions and we are only on question eight. We have only a quarter of an hour left, so Members will have to speed up.

[100] **Christine Chapman:** I want to return to the issue of monitoring, which we discussed earlier. Deputy Minister, I think that you said that the monitoring requirements were universal, not something that WEFO did on top of any requirements from Europe. Can you clarify that monitoring arrangements are undertaken as per other regions in Europe?

[101] **Alun Davies:** Yes, that is fair.

[102] **Christine Chapman:** There is nothing different or added to it.

[103] **Mr O'Brien:** This is financial monitoring. We have to agree a set of arrangements with the European Commission. They are fairly common across the European Commission.

[104] **Christine Chapman:** Okay. So, nothing is added.

[105] I want to raise one piece of evidence that we have heard about monitoring. An organisation that was receiving support from the south-east Wales community economic development fund was required to provide half-hourly timesheets to demonstrate the activities undertaken by its staff. It had previously been told that it had to provide timesheets, but then it seemed as if WEFO came back and said, 'You need to provide extra, half-hourly timesheets'. Would you say that that was common or not?

[106] **Alun Davies:** It is not common and it was not a WEFO requirement—I will ask Damien to answer in more detail, but I picked up on that as well, because it was a curious thing. We are used to lawyers doing these sorts of things, working for 15 minutes and then

charging you for the time that they take to fill in the timesheets as well—no offence. I looked at this, because I thought it was a curious piece of evidence, and we talked about it internally when it came up before the committee. The conclusion was that it must have been a requirement demanded within the project rather than from WEFO. Is that fair?

[107] **Mr O'Brien:** That is fair. It is—

[108] **Jocelyn Davies:** You do not have to go into extreme detail, as long as we get an assurance—

[109] **Alun Davies:** We have to get the balance right. Jonathan was particularly anxious to ensure that we did this in terms of the All-Wales Ethnic Minority Association issue and so on. About £9 million of European rural development fund money was spent on this project, a significant amount of public money that has to be managed, accounted for and monitored effectively. It is a balance between doing that and delivering the project. Sometimes, we have to ensure that monitoring does not inhibit the delivery of a project. That is sometimes a real danger. However, in this case, it is fair to say that these excessive demands were not made by us, is it not, Damien?

10.15 a.m.

[110] **Mr O'Brien:** Staff costs are a big risk area in the European social fund. This is the European social fund area, I think. Where individuals are working full-time on a project, we do not require timesheets. As long as we have their contract of employment or job description, that is sufficient. It is only where they work part-time, if they are spending so many hours a week working on the project—we have to be able to account that. Asking for timesheets every half hour is not something that we would press for, but we do require timesheets where people do not work full-time on projects, because we need to be able to evidence that their salary costs are legitimate against the project.

[111] **Christine Chapman:** May I just press you on that? Are you saying that, after reading this evidence, you are going to go back to similar organisations to say that they do not need to do this now? As we have said, the rules are the same.

[112] **Mr O'Brien:** We do not have a contractual relationship with Too Good To Waste. It is a subcontractor for Merthyr Tydfil County Borough Council, which is working with six other local authorities on the project. I can only assume that this is a requirement that has been placed on it by one or other of the local authorities. We can certainly make sure that they are aware of our requirements.

[113] **Christine Chapman:** This is where the problem is, really.

[114] **Mr O'Brien:** If it chooses to introduce additional requirements, we can question whether that is a sensible process and so on.

[115] **Jocelyn Davies:** However, it would not be an additional requirement under any European rules, would it? As we heard earlier, whoever is managing this one project could have half a dozen other projects also with the same requirements.

[116] **Mr O'Brien:** It depends on whether they have a lot of people working part-time on this project. People usually work full-time, in which case you do not need timesheets; you just need a contract of employment, and we access the payroll.

[117] **Jocelyn Davies:** Okay. Chris, did you have anything further on this?

[118] **Christine Chapman:** No.

[119] **Jocelyn Davies:** Ieuan, shall we move on to your question 10?

[120] **Ieuan Wyn Jones:** Credaf i chi ddweud wrth y pwyllgor ym mis Chwefror i chi gael trafodaethau dwys â'r Comisiwn Ewropeaidd am ffrwd ariannu JESSICA—rhywbeth am bethau cyfreithiol ac ati a oedd yn anodd. A fedrwch ddweud wrthym beth oedd y problemau hynny, ac a ydynt wedi cael eu datrys?

Ieuan Wyn Jones: I think that you told the committee in February that you had intense discussions with the European Commission about the JESSICA funding stream—it was to do with legal matters and so on that were difficult. Could you tell us what those problems were, and have they been solved?

[121] **Alun Davies:** JEREMIE oedd ef, rwy'n credu. A ydych yn gofyn i mi ei ddiffinio?

Alun Davies: It was JEREMIE, I believe. Are you asking me to define it?

[122] Problem dechnegol oedd gennym o ran deall ystyr gyfreithiol y gair *returns*. Cawsom wybod ddiwedd y llynedd bod cyfreithwyr wedi newid y dehongliad o'r gair. O'r herwydd, roedd perygl i brosiect JEREMIE. Cawsom drafodaethau dwys, fel y dywedwch, yma yng Nghaerdydd â'r Adran Busnes, Arloesi a Sgiliau yn Llundain ac â'r Comisiwn ym Mrwsel. Cefais air â'r comisiynydd ym mis Rhagfyr yn uniongyrchol.

We had a technical problem with regard to our understanding of the legal meaning of the word 'returns'. We were informed at the end of last year that the lawyers had changed interpretation of the word. Consequently, the JEREMIE project was at risk. We had intense discussions, as you put it, here in Cardiff with the Department for Business, Innovation and Skills in London and the Commission in Brussels. I had a direct conversation with the Commissioner in December.

[123] Rwy'n falch o ddweud ein bod wedi cyrraedd pwynt lle mae cytundeb bellach, ac rydym wedi datrys y broblem ar gyfer y cronfeydd presennol. Bydd rhaid inni ystyried eto'r sefyllfa ar gyfer y cronfeydd nesaf, ond ar gyfer JEREMIE ar ei wedd bresennol, rydym wedi datrys y broblem. Cawsom wybod hynny gan y Comisiwn ym mis Ebrill.

I am pleased to say that we have reached a point where there is now agreement, and we have solved the problem for the current funds. We will have to reconsider the situation for the next round of funds, but for JEREMIE in its present form, we have solved the problem. We were informed of this by the Commission in April.

[124] **Julie Morgan:** Have the first investments been made from the regeneration investment fund for Wales?

[125] **Alun Davies:** Under JESSICA, yes. In terms of where we are with that, 42 proposals have been received to date. Eighteen of them are local authority-led. The other 24 are business-led proposals. Our investment managers have prioritised 11 expressions of interest to be taken forward. Two are from local authorities and nine are from the business sector.

[126] We had hoped to be in the situation—I think I said 'after Easter'; I am glad I did not mention a year. [*Laughter.*] I had hoped to be in a situation to make an announcement by now. The issue is that due diligence found some problems with one of the projects, and, as a consequence, there has been a delay to that. However, the expressions of interest themselves are worth around £108 million, which means that the fund will be oversubscribed. We have a good, strong pipeline there. Damien and I have conversations about when an announcement will be made. I am still optimistic that it will be before recess. [*Interruption.*] Exactly. I did say 'recess' not 'summer recess'.

[127] **Jocelyn Davies:** Deputy Minister, you mentioned a fund manager, and this is an issue that is completely out of your hands because this fund is being managed by a fund manager, so, as soon as there is anything to announce, I am pretty certain that we will hear about it.

[128] **Alun Davies:** Let us agree to write to committee to let you know when we expect this to happen. I will certainly inform the committee when we expect to have an announcement on it.

[129] **Jocelyn Davies:** I know that Julie has some more questions.

[130] **Julie Morgan:** Yes. The European Commission recently published this document that said that it had detected the practice of over-allocation of resources to financial instruments, which then remain in the funds instead of being dispersed to projects. Would you say that this fund falls into that category?

[131] **Alun Davies:** I hope that it does not. It has certainly been slower than we anticipated. That is true, and it is a lesson to be learned. President Barroso was a big supporter of these sorts of financial instruments and has really pushed to ensure that they play a greater role in future structural programmes. I would certainly support that. We are certainly more advanced than any other part of the United Kingdom, and most parts of the European Union. Wales has good experience, and when we were having these conversations about JEREMIE over Christmas and the new year Wales was seen as having an expertise that was not available in other parts of the United Kingdom, and an expertise that was listened to in Brussels. So, we do have a place on this page. My feeling is that, when we look towards the next round of funding, we will need to learn lessons from the way in which these financial instruments have been delivered. I would like to say as well that this slowness is something that has been replicated across other member states. It is not something that is particular to either Wales or the UK.

[132] **Julie Morgan:** Can you see ways that it could be done quicker for the next round?

[133] **Mr O'Brien:** The Commission is likely to change the rules for the next round in the light of the European Court of Auditors report. There was one region in Italy that had drawn down €233 million, put it into a bank account and only used €1 million. So the money is just sitting there. That is not the case with our funds. We have £85 million plus out the door on JEREMIE to small businesses. JESSICA is taking a little longer because it is new, but we are still confident that the resource will be used. The Commission is proposing that, for the next programme period, you will draw down the funding according to a business plan—basically, when you need it rather than in advance. The same would be the case with the co-financing from the European Investment Bank or wherever. That is likely to change.

[134] **Jocelyn Davies:** Mike, do you want to come in with your question?

[135] **Mike Hedges:** I will carry on talking about JESSICA and JEREMIE. Has any European institution audited or reviewed the JEREMIE or JESSICA funds in Wales?

[136] **Mr O'Brien:** Not in Wales. We were asked to provide some documentary information as part of the European Court of Auditors thematic review across the European Union, but the specific schemes in Wales have not been audited by the European audit authorities.

[137] **Paul Davies:** Rwyf eisiau gofyn **Paul Davies:** I want to ask you questions in relation to changes by WEFO. Following the cwestiynau ichi ynglŷn â newidiadau gan WEFO. Yn sgîl adolygiad diweddar WEFO o recent WEFO revision of the exchange rate

gyfradd gyfnewid ar gyfer cynllunio, gwelwyd gostyngiad o ryw £52 miliwn yng ngwerth sterling i raglenni yng Nghymru, gyda gostyngiad o ryw £34 miliwn yn grant yr Undeb Ewropeaidd. A allech amlinellu pa fath o brosiectau sy'n debygol o gael eu heffeithio'n fwyaf gan hyn? Pa adnoddau fydd o dan fwy o bwysau o achos hyn?

for planning we have seen a decrease of some £52 million in the worth of sterling for programmes in Wales, with a decrease of some £34 million in the European Union grant. Could you outline what kinds of projects are likely to be most affected by this? What resources will be under more pressure because of this?

[138] **Alun Davies:** I think all Members will recognise and understand that we are in extremely volatile times in terms of exchange rates. Our planning rate is currently €1.2 to £1, and we are actively discussing at the moment how we manage potential greater volatility in the future. I am going to meet the programme monitoring committee in about two weeks' time to discuss these matters. We have had some internal meetings with officials and I have had meetings with Edwina to look at the potential impact of these changes to the programmes.

[139] There may be some impacts on our ability to plan to spend money. At the moment, we are doing a piece of work on the scope of that, on what we believe the potential impact could be. I will be telling the PMC next month that I might ask it to meet again in the autumn to report to it that we will be seeking changes to the structure and the framework of the programmes. We are not in a position to do that at the moment. I answered a question by Mark Drakeford on this point in the Chamber some weeks ago, and I want to reassure all members of the committee that we are actively managing these risks and we will be in a position, possibly in a month or so, to give you a more detailed answer on what proposals we intend to take forward. I am happy to write to the committee when we are in a position to do that.

[140] Paul, your question is absolutely right: these are very difficult and volatile times. Our planning rate is €1.20. It changed in January and that has had a significant impact on the planning value of the programmes. Every cent equals £12 million up or down. So, if we change the planning rate once again to reflect a weakening euro, we will potentially be taking more money out of the planning budgets available to us. We would then have to take a decision—and this is why I might seek a meeting of the programme monitoring committee to discuss this with it—and seek to ensure that we meet our priorities. That might well mean seeking to move money within the programmes, and changing the budgets of the programmes. However, at the moment, I want to emphasise to the committee that these are options that are being discussed, not decisions being taken.

[141] **Paul Davies:** Felly, byddwch yn gallu adrodd yn ôl i ni ymhen rhyw fis am y gwaith y mae'r Llywodraeth yn ei wneud i reoli'r risgiau hyn.

Paul Davies: Therefore, you will be able to report back to us within a month or so on the work that the Government is doing to manage these risks.

[142] **Alun Davies:** Baswn yn gobeithio gwneud hynny. Os gallaf, baswn yn hapus i ysgrifennu at y pwyllgor gyda chanlyniadau'r adolygiad hwn a'r gwaith o edrych ar sgôp yr hyn sy'n digwydd. Pe baem yn cynnig newidiadau i'r cynlluniau a'r rhaglenni, hoffwn ddatgan hynny i'r Cynulliad hefyd.

Alun Davies: I would hope to do so. If I can, I would be happy to write to the committee with the results of this review and the work of scoping what is happening at the moment. If we were to propose changes to the schemes and the programmes, I would like to make a statement to that effect to the Assembly.

[143] **Paul Davies:** Mae gennyf un cwestiwn arall. Awgrymodd cynghrair mentrau cymdeithasol Cymru y dylai Swyddfa Cyllid Ewropeaidd Cymru sefydlu

Paul Davies: I have one more question. The Welsh social enterprise coalition suggested that the Welsh European Funding Office establish a social impact survey to evaluate

arolwg o effaith gymdeithasol i werthuso budd ehangach prosiectau'r cronfeydd strwythurol i gymunedau lleol. A fydddech yn ystyried cynnal y math hwnnw o ddadansoddiad?

the wider benefit that structural funds projects have had on local communities. Would you consider undertaking that type of analysis?

[144] **Alun Davies:** Gwelais yr awgrym hwnnw a baswn yn hapus i wneud hynny. Mae'n anodd iawn gwneud hynny ar gyfer y rhaglenni presennol gan ein bod dros hanner ffordd drwyddynt, ond baswn yn hapus iawn i wneud hynny ar gyfer y rownd nesaf.

Alun Davies: I saw that suggestion and I would be happy to do that. It is very difficult to do so for the existing programmes because we are over halfway through them, but I would be very happy to do that for the next round.

[145] **Ann Jones:** The Welsh social enterprise coalition also recommended that WEFO should include new programme-level indicators to measure the combined social and economic impact of the convergence and competitiveness programmes. Is that something that you can do in this programme?

[146] **Alun Davies:** It might be difficult to do it in the current programme round, but it is certainly the sort of thing that we could consider doing in the future.

[147] **Jocelyn Davies:** Well, we managed to get through all the questions. Mr Price, I am sorry that we did not have any questions that touched on your area of expertise.

[148] **Ieuan Wyn Jones:** I do not think that he is sorry. [*Laughter.*]

[149] **Jocelyn Davies:** In the last few minutes, is there anything that you would like to put on record in relation to our review?

[150] **Mr Price:** No, not unless you have a specific question.

[151] **Jocelyn Davies:** That is fine. Deputy Minister, is there anything that you would like to highlight that you have not already touched on during the evidence session?

[152] **Alun Davies:** I would like to emphasise that the programmes that we have been running over the past few years have been successful and have reached many of the targets that were set for them. The overall performance of the programmes is generally very good. We are highly regarded by the European Commission for the way in which we manage and deliver our programmes. Last month, we had a visit from Commissioner Johannes Hahn, making his first visit to Wales, and he was extraordinarily complimentary about the way in which the Welsh Government manages programmes in this area. We hope to continue working closely with the European Commission and to ensure that the experience that we have is used to improve performance in future.

10.30 a.m.

[153] At the moment, I thank the committee for the investigation that it has conducted. I have found it very useful, I have to say. I have kept a close eye on what you have been doing, and have been reading through the transcripts and the written evidence that you have received. It has been useful from my point of view, as a Minister. I would be more than happy to come back to committee at another point to discuss different aspects of this in more detail. I very much look forward to your report, which I think will be a valuable document in informing our reviews, which we will be announcing in the next few weeks. I thank the committee for the work that it has done. It has been a valuable exercise.

[154] **Jocelyn Davies:** We are grateful for your attendance today and for the offer to return later in the year.

[155] **Alun Davies:** On that occasion, I will bring my voice with me. [*Laughter.*]

10.32 a.m.

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

[156] **Jocelyn Davies:** Moving on to the next item, there are just a couple of papers to note. We have had extra evidence, Members will note, from the Scottish Futures Trust. Do Members agree to note that papers, and to agree the minutes of the previous meeting? I see that we are agreed.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting**

[157] **Jocelyn Davies:** I move that

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

[158] Are you all content? I see that you are. Thank you very much.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.32 a.m.
The public part of the meeting ended at 10.32 a.m.*