

## Finance Committee

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Meeting Venue:  
**Committee Room 2 – Senedd**

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Meeting date:  
**29 February 2012**

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Meeting time:  
**09:30**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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### Agenda

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#### **1. Introductions, apologies and substitutions (09:25–09:30)**

#### **2. Effectiveness of European Structural Funding in Wales – Higher Education Wales (09.30–10.30) (Pages 1 – 7)**

FIN(4)–04–12 : Paper 1

Professor Richard Davies, Higher Education Wales  
Berwyn Davies, Wales Higher Education Brussels

#### **3. Effectiveness of European Structural Funding in Wales – Welsh Government (10.30–11.30) (Pages 8 – 30)**

FIN(4)–04–12 : Paper 2

Alun Davies, Deputy Minister for Agriculture, Fisheries, Food and European Programmes  
Damien O'Brien – Director WEFO  
Peter Ryland – Deputy Director, Programme Performance & Finance, WEFO

#### **4. Papers to note (Pages 31 – 34)**

FIN(4)–04–12 Paper 3 – Paper to note – Correspondence from the Minister for finance and Leader of the House

Minutes of previous meeting

**5. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

Items 6 – 8

**6. HM Treasury Public Expenditure – (PESA) Public Expenditure Statistical Analyses – User Consultation (11:30–11:40) (Pages 35 – 47)**

**7. Discussion on Evidence – Effectiveness of European Structural Funding in Wales (11:40–11:55)**

**8. Future Committee Inquiries (11:55–12:05) (Pages 48 – 50)**

## **Finance Committee – National Assembly for Wales**

### **A call for evidence – the Effectiveness of European Structural Funding in Wales**

#### **Submission by Higher Education Wales**

#### **1. About Higher Education Wales**

Higher Education Wales (HEW) represents the interests of Higher Education Institutions (HEIs) in Wales and is a National Council of Universities UK. HEW's Governing Council consists of the Vice-Chancellors of all the HEIs in Wales. HEW provides an expert resource on the Welsh Higher Education sector.

HEW has consulted with representatives from those HEIs who are currently engaged in delivering Structural Funds projects and we are grateful for their input into this paper.

#### **2. Context for submission**

Whilst we recognise that this is an inquiry into the current approach to Structural Funds which is centred on predominantly transactional outputs, the higher education sector is keen to emphasise that the next round of Structural Funds should shift to a focus on interventions which will have long term and beneficial outcomes for the Welsh economy.

Our recent paper to the Enterprise and Business Committee in advance of our oral evidence on the proposed regulations for the next programming period, on 11 January 2012, stated that *'the transformation of the Welsh economy from a low value, low employment economy to a high value, full employment economy can only be secured through a new 'whole system' approach to research and development (R&D), knowledge exchange and innovation'*.

We also recommended to the Committee that the next round of Structural Funds in Wales prioritises actions which have the potential to have a transformational social and economic impact on Wales in generating jobs at all levels and sustainable growth. We are determined that universities will play a full role in realising the regional innovation outcomes (based on smart specialisation) which will deliver this transformational change.

The Commission's proposals for a more strategic approach, which will allow, for example, an activity to be funded through different EU funding streams (in particular through exploiting the synergies between the Structural Funds and Horizon2020) offer us the opportunity to do so. We look forward to discussing with the Committee how our experiences in the current programme will enable us to prepare for the next round of European Structural Fund programmes.

## Inquiry Questions

### 1. To what extent do you consider the Convergence and Regional Competitiveness and Employment Programmes in Wales for the 2007-13 period, to have achieved – or to be achieving – their intended objectives?

It is important to recognise that the economic downturn has proved to be very challenging for the labour market in Wales. Further, due to the delays in the implementation of the Operational Programmes, it is difficult to make an overall assessment of whether the programmes are achieving their objectives for Wales at this stage.

Despite this however, a number of activities are contributing to the targets. For example, by January 2011, just under 10,000 jobs had been created against an ERDF programme target of 33,200<sup>1</sup>. Additionally, the Committee may wish to note our understanding that Welsh ERDF revenue projects operate under a more challenging definition of 'jobs created' than in other European Convergence regions. Currently the Welsh definition states that a job created must have no finite duration, whilst other regions classify any job with a duration of one year or more, as a job created. It may be helpful to consider this in light of changes to the labour market since the start of the new programmes.

Specifically, there is evidence that the HE sector is delivering against the range of programme objectives (low carbon, skills, employability, SME competitiveness and so on) and supporting the economic and social regeneration of Convergence areas.

A small sample of projects include:

- The four flagship education and training programmes: Knowledge Economy Skills Scholarships (KESS), Access To Masters (ATM), Foundation Degrees and Work Based Learning, all of which deliver significant higher level skills and workforce adaptability across the Welsh economy. The programmes provide demand led training focused on employability and aim to develop ongoing relationships with the private sector.
- Centre of Excellence for Mobile Applications and Services project, which provides a unique platform for SMEs to create, develop and test innovative, new 'i-services' prior to market launch.
- The SEREN project which delivers new and innovative ground engineering technologies in the areas of Ground Source Heat, Underground Coal Gasification and Carbon Sequestration, with the view to exploring Wales' unique coal-rich geography through low-carbon applications.
- The Anaerobic Digestion Centre project which addresses the knowledge-base and technical barriers to the implementation of Anaerobic Digestion in Wales and directly reduces Wales' carbon footprint.

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<sup>1</sup> <http://wefo.wales.gov.uk/programmes/progress/?skip=1&lang=en>

- The WISE Network which enables almost 120 companies to collaborate with universities on research and development activities. This will be translated into new jobs being created in these companies as well as the development of new patents which should lead to the launch of new products and services.
- The Institute of Life Science developed in two phases, provides a state-of-the-art R&D environment including laboratory, informatics, and clinical facilities, together with fully integrated business incubation units.

## **2. Do you consider the various projects funded by European Structural funds in Wales to be delivering value for money?**

Universities in Wales are well placed to manage Structural Funds efficiently. Strengths include:

- Experience in areas such as knowledge transfer which can be exploited to support economic development in the region more widely.
- Experience of delivering other EU funded projects, with associated Europe-wide networks.
- Success in collaborating on EU Structural Funds where expertise across universities has been pooled.
- Success in designing and implementing projects which provide permanent additions to the knowledge economy infrastructure of Wales.

Value for money requires focussing as much spend as possible on project activity. Project leadership from experienced organisations operating effectively in the field of activity is most likely to achieve this.

## **3. Do you have any concerns around the use of the Targeted Match Fund? Do you have any concerns around the use of Welsh Government departmental expenditure, as match funding? What impact do you believe public sector cuts have had (and may have) on the availability of public sector match funding?**

The HE sector has made use of the Targeted Match Fund and this source of funding is a valuable resource which has had an impact in getting projects off the ground. For example, the four-year transnational project Enalgae (Energetic Algae) is a strategic initiative funded by the INTERREG IVB North West Europe Programme and backed with £629,000 from the Targeted Match Fund through the Welsh Government, together with a range of co-sponsors.

A more transparent and clear process for accessing the Targeted Match Fund would be welcomed, however. More information, at an earlier stage, would enable the universities to respond more effectively to the opportunities which this fund could provide. Match funding

should be open to all stakeholders in Wales and the procedures should be fair, providing equal access to all.

Match funding is likely to become even more difficult due to the reduction in financial resources within the public sector. In this context, it will be even more important that match funding opportunities support the projects which will have the greatest effect on the Welsh economy. It is also important that possible sources of match funding from outside Wales are not excluded due to decisions from the managing authority regarding Programme scope - the effective exclusion of resources from Research Council projects highlights this issue.

Universities also have capacity to attract match funding from the private sector.

#### **4. How effectively do you believe the Welsh European Funding Office (WEFO) have monitored and evaluated the impact of projects?**

Individual project managers hold regular meetings with WEFO which provide an opportunity for the project managers to highlight issues and concerns. This is extremely positive and universities are appreciative of WEFO's helpful approach with advice and assistance where appropriate. However, WEFO has been affected by a high turnover of staff for periods. There are reports that this has affected the building of mutual understanding and consistency of advice in some cases but it is difficult to see how this could be avoided within the budgetary constraints on WEFO. The provision of more categorical guidance on occasion would aid delivery and help share risk between delivery organisations and the managing authority.

It is not possible at this stage to comment on whether WEFO has effectively monitored and evaluated the impact of projects since the publication of evaluation reports will come later in the cycle. The introduction of widespread project-led evaluation under the current programme would be welcomed. However, clearer and more prescriptive guidance would be needed to ensure project sponsors use individual project evaluations in an appropriate and consistent way. Effective evaluation can inform effective delivery.

WEFO could adopt a more risk-based approach to reflect the capacity of small organisations to monitor and manage projects compared with large scale and financially stable organisations.

#### **5. Do you have any concerns regarding the sustainability beyond 2013 of the activities and outputs delivered through projects financed during the current round of Structural Funds?**

The nature of many universities projects, focused on expanding individuals abilities and business performance and pump-priming capacity enhancements, ensure outcome benefits beyond the term of any programme. Investment in high-level skills through ESF should lead

to better employment opportunities for innovative individuals to contribute to the economy. HEI work based learning projects and projects that focus on developing and delivering Foundation Degrees aimed at employees, should ensure that participants have the skills and knowledge to stay in employment. ERDF projects have enabled businesses to innovate.

The university sector is one of few indigenous generators of substantive research in Wales and plays a key role in transforming the results of this research into innovative commercial products and services, promoting entrepreneurship, business development and growth. The combination of ERDF in infrastructure, including research infrastructure, with a highly skilled workforce, should have a positive long term impact on the Welsh economy.

It should be noted, however, that the updated Article 55 guidance places uncertainty on the sustainability of some of the sector's ERDF projects. We understand that projects which have the potential to generate revenue will risk repaying ERDF grant up to five years after the project has ended, and this is an area of risk for many projects. Should the project generate revenue, our understanding is that this is calculated as net revenue up to five years after the end date of the project. WEFO introduced new updated Article 55 guidance in September 2011. We will have to wait five years post project to gather an accurate picture of revenue generated by the project. The University sector does not have experience of running projects under Article 55 to date but is uneasy because future revenue often underpins sustainability.

## **6. What is your own experience of accessing European Structural Funding?**

Universities' experience of delivering Structural Fund objectives has been largely positive. There have been challenges in setting up complex, multi partner projects. The three stage PIF, EOI and Business Plan procedure for example has led to a longer process of project approval and implementation. The application process for SEACAMS, involving Aberystwyth, Bangor and Swansea universities took up to three years from the submission of the initial Project Information Form to the start of the project.

However, the sector has learnt from this experience and is keen to build upon the expertise that it has gained during the current period. It is well placed to take an active lead in preparing for the next programming period. Future Operational Programmes will need to comply with the Europe2020 strategy thus placing universities in a leading position for delivering on research, innovation, training and education, lifelong learning and knowledge transfer.

## **7. Is the private sector in Wales sufficiently engaged in accessing European Structural Funding?**

The private sector, and in particular SMEs, do not always have the expertise or the resource capacity to engage with the rules and regulations of the Structural Funds and they often rely

on the universities to support their engagement with the programmes. This can be seen in the implementation, under ESF, of the four flagship education and training programmes: KESS, ATM, FD and WBL. They have been very successful in engaging with the private sector across the priority sectors in Wales because the forms are consistent and advice is on hand to support involvement. Whilst these are more specifically related to up-skilling staff within their workforces, ERDF projects have also been successful in engaging companies to improve business processes and invest more in R&D. For example, the Advanced Sustainable Manufacturing Technologicals (ASTUTE) project involves 8 universities and is working with more than 300 SMEs.

The increased concerns over 'state aid' have made it very difficult to engage private sector companies in projects as joint sponsors, i.e. full project partners contributing match funding. Public procurement has been recognised in Wales as the 'state aid compliant' way of bringing companies into projects. Inevitably, this adds another layer of administrative burden on the lead sponsors of projects and creates delays. Furthermore, 'procurement with match funding contribution' limits the number of companies interested in bidding to the project. As a result, even full EU OJ procurement exercises have been run with just one realistic bidder coming forward. The models for private sector engagement in projects therefore need to be reviewed for future programmes but will probably be easier to manage within larger strategic projects.

Nevertheless, the private sector has benefited through the procurement process under the ERDF and their increased engagement will be important in future during this difficult economic climate. The HE sector is keen to obtain feedback from the private sector on their experiences of working with universities. We recognise that this is a central role for HE and we would want to ensure that we develop our capacity and working methods to engage in the most effective way possible with the private sector in future.

**8. In 2009, WEFO negotiated an increase in programme intervention rates with the European Commission for the two ERDF and the ESF Convergence Programmes. In its July 2010 report, the Enterprise and Learning Committee noted that the South West Regional Development Agency had negotiated higher intervention rates with the European Commission. Is Wales making the most effective use of increased programme intervention rates?**

The sector welcomed the increase in intervention rates after 2009 which had a significant impact on the engagement of universities with the Structural Funds. Low intervention rates can make it more difficult to ensure additionality and risk elevating match funding levels to the status of dominating criterion for Structural Funding support. Increasing the intervention rate up to 70% for some strategic priorities, made the application process much more attractive. WEFO will need to reconsider whether these rates can be maintained during the next round when match funding will become even more difficult to secure during this period of economic uncertainty. Higher intervention rates will result in fewer projects being

approved. The sector will be keen to ensure that these projects will have a transformational effect on the economy.

**HIGHER EDUCATION WALES**

**FEBRUARY 2012**

# Agenda Item 3

## FIN(4)-04-12 Paper 2

### FINANCE COMMITTEE INQUIRY INTO THE EUROPEAN STRUCTURAL FUNDS PROGRAMMES 2007–2013 IN WALES

#### Evidence from the Deputy Minister for Agriculture, Fisheries, Food and European Programmes

#### INTRODUCTION

1. This paper provides evidence to inform the Finance Committee's inquiry into the effectiveness of the European Structural Funds in Wales 2007–2013.
2. The Welsh European Funding Office (WEFO) is responsible for managing the delivery of European Structural Fund programmes worth just under £2 billion of EU funds over the seven-year funding period 2007–2013, driving a total investment of some £3.25bn (including match funding). This includes the Convergence West Wales and the Valleys programmes and the smaller Competitiveness programmes in East Wales. Wales also participates in a number of territorial co-operation programmes<sup>1</sup>, including a cross-border Ireland/Wales programme managed by the Irish Authorities.

#### 2007–2013 PROGRAMME PERFORMANCE

##### Programme commitment

3. The programmes are at an advanced stage of implementation. Over four years into the programming period, WEFO has committed £1.6 billion (86% of the total EU funds available) to 260 projects, representing a total investment of over £3.2 billion in Wales (as of 15 February 2012).
4. Commitment figures across the four Operational Programmes are shown in the following table:

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<sup>1</sup> Wales also participates in the Territorial Co-operation programmes, where organisations in Wales are engaging in 78 territorial co-operation projects worth circa £102m ERDF (Welsh partners benefiting from £31m ERDF).

<b>Programme</b>	<b>EU funds allocation (£m)<sup>2</sup></b>	<b>Total project cost (£m)<sup>3</sup> committed</b>	<b>EU funds (£m)<sup>4</sup> committed</b>	<b>Share of EU funds allocation (%)<sup>5</sup></b>
<b>ERDF Convergence</b>	1,055.7	1,741.4	865.4	82.0
<b>ERDF Competitiveness</b>	61.8	151.4	51.6	83.0
<b>ESF Convergence</b>	705.3	1,172.9	646.1	92.0
<b>ESF Competitiveness</b>	53.7	141.1	49.8	93.0
<b>Total</b>	<b>1,876.5</b>	<b>3,206.7</b>	<b>1,612.9</b>	<b>86.0</b>

5. The overall level of EU funds committed (86%), to date, across the four programmes compares very well with the equivalent point in the implementation of the 2000–2006 programmes (73% in January 2005). Although ERDF commitment levels, to date, are lower than those for ESF, the pipeline of projects seeking ERDF funding will take all programmes to full commitment. These include two major projects which will be subject to European Commission approval (i.e. ICT Next Generation Broadband and a further phase of dualling of the A465). Furthermore, WEFO is on target to commit 90% of EU funds by the end of March 2012.

### **Programme expenditure**

6. Total expenditure for EU projects is just over £1.2bn. This includes EU funds payments of some £558m, representing 30% of the total EU funds allocation, based on claims submitted by projects and paid by WEFO. There is a full portfolio of projects in place to maximise the available funding by the end of 2015 (the final date for payments). WEFO is also planning to overcommit funding for parts of the programmes to take account of anticipated project underspends and to maximise expenditure for the programmes overall. This approach was successfully deployed under the 2000–2006 programmes.

<sup>2</sup> Wales is allocated funds in Euros. £ allocation figures are based on WEFO current planning rate of £1: €1.20.

<sup>3</sup> Total funds committed to date (including match funding).

<sup>4</sup> The EU funds committed as part of the programme.

<sup>5</sup> EU funds committed as a percentage of total available.

7. All Commission annual targets (2008, 2009, 2010 and 2011) for programme expenditure (N+2) for the four programmes have been met, despite the challenging economic climate and fluctuating exchange rate with the Euro. For the end-of-calendar-year N+2 targets for 2012, current expenditure forecasts show that WEFO will meet these targets three months ahead of schedule (i.e. by September).

### **Programme achievements**

8. Of total project investment (including match funding), over £740 million is supporting businesses (including R&D and Innovation, ICT and Business Finance) and £1.3bn is helping people into work and improve their skills. In addition, £620m is helping to regenerate communities and £520m is helping to improve the environment and sustainable transport. See **Annex A** for key investments to date.
9. EU projects have already assisted almost 288,000 participants, of which nearly 82,000 have been supported to gain qualifications and some 34,400 helped into work. Projects including REACT and Want2Work have already supported 16,500 people into work.
10. In addition, 10,500 (gross) jobs and 2,150 enterprises have been created, through projects such as the Welsh Government's Business Start Up projects.

<b>Key indicators</b>	<b>Programme target</b>	<b>Project forecast to end programme</b>	<b>Project achievement to 15/02/2012</b>
<b>Participants assisted (ESF)</b>	294,100	599,193	287,746
<b>Participants entering employment (ESF)</b>	31,000	81,169	34,423
<b>Participants gaining qualifications (ESF)</b>	89,180	221,345	81,823
<b>Enterprises assisted (ERDF)</b>	15,900	22,970	7,590
<b>Enterprises created (ERDF)</b>	5,604	9,295	2,141
<b>Gross jobs created (ERDF)</b>	38,540	39,220	10,517

11. It is clear from the above table that despite the difficult economic climate, WEFO is making significant progress in meeting its programme targets agreed with the Commission, especially in numbers of participants into employment, participants gaining qualifications, and support for young people. Some ESF targets are therefore being increased, in negotiation with the Commission, to reflect both the high performance to date and the high levels of future activity forecast by approved projects and those in the pipeline. For example, for ESF Convergence, WEFO is negotiating with the Commission an increase of the number of participants entering work from 27,500 to 30,500.
12. For the ERDF targets, and through the delivery of projects such as the Welsh Government's Academia for Business (A4B), there are encouraging signs in terms of collaborative R&D. For ERDF Convergence Priority 1 (Building the Knowledge Based Economy), 340 collaborations have been reported against the end-of-programme target of 500. This demonstrates that businesses are still investing in this area even during difficult economic times, but businesses are still more likely to stay in this phase of development until they become more confident in their launch of new products/processes/services being a success. As a result, challenges remain in meeting some output targets.

### **Monitoring of project and programme performance**

13. WEFO monitors the performance of all EU projects and programme targets closely. Regular meeting reviews and visits are held with EU projects to help ensure they are progressing in line with their agreed delivery profile and are complying with EC regulations and WEFO guidance.
14. The All-Wales Programme Monitoring Committee 2007–2013, chaired by Mark Drakeford AM, comprising Welsh partners and strong representation from the private sector, is provided with quarterly reports on performance at programme and priority level. Updates are also provided on key programming issues, such as evaluation studies, match funding, the integration of the cross-cutting themes of Environmental Sustainability and Equal Opportunities, information and publicity etc. All PMC papers are published on the WEFO website ([www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk)). The PMC will also play a key role in addressing lessons to be learnt to help shape the delivery of future programmes 2014–2020 for Wales.
15. To help transparency and accountability in the management of the European programmes, fortnightly updates on progress of the programmes, including output information at Unitary Authority level, are also published on the WEFO website. In addition, information and data on the output indicators of EU projects is published via a WEFO website searchable database (see Written Statement issued on 6 Feb 2012 at

## **Strategic delivery and procurement opportunities**

### Sector breakdown

16. WEFO has adopted a more strategic approach to delivery for the current programme period, with a stronger focus on objectives, outputs and outcomes to secure a more effective use of the funding and avoid waste and minimise duplication.
17. There is also a stronger emphasis on open and competitive procurement, at project level, in order to maximise value for money and to ensure fair and open access to the benefits of EU funds.
18. Given this strategic approach, Welsh Government-led projects represent a significant proportion of projects approved to date (98 of 260 or some 40% of resources committed to date). As with all EU funded projects, these have been developed in partnership and are largely delivered through procurement arrangements. The remaining projects are being led by other organisations including 67 Local Authority projects, 38 third sector, 10 private sector and 31 from the HE/FE sector.
19. The private sector benefits substantially from the European programmes and is also a major provider of match funding (25%). The private sector is also a key partner in shaping the direction of the programmes and is extensively involved in delivery under procurement arrangements (see para 21). That said, it is true that the private sector rarely take the role as lead sponsor. There are a number of disincentives, including State Aid rules, limitations on retention of revenue/profits, the audit and administrative tasks involved, and the risk of having to repay expenditure deemed ineligible by the Commission. That said, consideration clearly needs to be given to how best to engage the private sector more extensively going forward. As part of the development of the future 2014–2020 programmes, we will be exploring how the EC’s proposed simplification measures can be maximised to encourage participation.

### Procurement

20. Open and competitive procurement is an important tool in ensuring value for public money in the delivery of EU projects and for providing fair access to EU funds by all potentially interested parties.
21. To date, the estimated amount of procurement activity in the delivery of approved projects is worth over £1billion, while approved projects with completed procurement exercises have awarded contracts worth £700m to organisations. Over 900 contracts (worth £381m) have been awarded to the private sector, over 200 contracts to the public sector, including HE/FE

(worth £212m), and 390 contracts (worth £107m) to the third sector.

22. WEFO published revised guidance on project delivery models and the use of procurement in October 2010. The revised guidance introduced the opportunity for projects to use competitive grants, already adopted within the WCVA Gateway project, as an alternative way of securing value for money in project delivery.

### **Match funding and intervention rates**

23. One of the key benefits of European Structural Fund programmes is that they can act as a catalyst for investment, driving forward projects that would otherwise not progress. The more funds that can be levered into projects from various sources, the more effective the EU funds will be in stimulating investment from public and private sources.
24. In 2009, however, due to the global recession and to allow greater flexibility to mitigate potential match funding pressures, WEFO agreed with the Commission an uplift in EU programme intervention rates, with the overall average intervention rate for the programmes increasing from around 50% to 60%.
25. WEFO continues to monitor the match funding position at programme and project level, particularly in light of the budget reductions following the UK Government's 2010 Comprehensive Spending Review (CSR) and the ensuing 2011 Welsh Government budget. WEFO works closely with project sponsors on a case-by-case basis and can provide grant intervention rates of up to 100% for individual projects if necessary, provided the average intervention rates are respected at programme level.
26. Overall, the Welsh Government has committed £565m (35% of total match funding committed to date) to EU projects. This includes a commitment of £98m to 35 projects, (including many town centre regeneration schemes) from the Targeted Match Fund (TMF), a pot of 'last resort' for projects struggling to secure appropriate match funding from other sources. Despite the reduction, as part of the recent CSR, we have honoured our TMF commitment for EU projects that perform to their agreed objectives. Limited uncommitted TMF resources remain and can be called upon to match fund projects during the remainder of the programming period.

### **Evaluation**

27. The relative success of investments supported through Structural Funds is the subject of detailed and robust evaluation. All projects receiving EU funds in excess of £2m are required to commission independent evaluations. WEFO also implements a programme of evaluation agreed with the European Commission which aims to assess the effectiveness of programme implementation and the overall impact of interventions.

Evaluation reports are published on the WEFO website at:  
<http://wefo.wales.gov.uk/publications/monitoringevaluation/?lang=en>

28. Several evaluations are currently on-going; for example, a 2010 ESF Leavers Survey; thematic evaluations of all the priorities across the programmes; and a survey of ERDF supported businesses. The 2009 ESF survey of individuals supported through the ESF provides encouraging evidence on the effectiveness of ESF projects, including:
- an increase of 27 percentage points in the employment rate for individuals supported through the ESF Convergence Employment Priority. Of those respondents who were not employed at the time of the survey, approximately 25% maintained that their participation in an ESF project resulted in them having significantly more chance of finding a job in the future.
  - For individuals receiving support under the ESF Convergence Skills Priority, 20% experienced upward occupational mobility between the period before receiving ESF support and the survey. Of those remaining within the same job at the time of the survey, 21% reported that they had been promoted, 50% reported better job security and 42% improved pay, salary or income, following their participation in an ESF project.
29. The 2010 survey, which is currently being finalised, reinforces the results from the 2009 survey. Improvements to the evaluation methodology used for both the 2009 and 2010 surveys demonstrate that an unemployed individual who participates in an ESF project has around a 20% greater chance of being in employment one year after the intervention compared with unemployed individuals who haven't participated in an ESF project.
30. Early results from the ERDF business survey indicate that ERDF support had a positive effect on turnover, profitability and productivity in approximately 35-40% of businesses assisted. Furthermore 30% of businesses report that the performance of their workplace would have been worse without ERDF support.
31. WEFO is due to publish its summary evaluation of the 2000–2006 programmes soon. This will demonstrate that the programmes delivered clear and tangible outputs, with a number of key programme targets (associated with job creation, tackling economic inactivity and support for businesses) exceeded. The programmes also created wider community benefits, such as through the development of partnerships and associated capacity building.
32. It is clear from the report that, in terms of GVA, the Welsh economy, remained little changed from the start of the new Millennium. However, using alternative economic performance indicators (e.g. Primary Income Per Capita), which appear more relevant, both to Wales in general and West Wales and the Valleys in particular, the position is rather better.

Furthermore it is also clear that employment increased, unemployment fell and skill levels improved over the programme period. In addition, the programmes have produced very clear and tangible outputs, with a number of programme targets being exceeded. Overall, it is clear that the programmes helped Wales to 'weather' a period of global economic change and adjustment, where the situation would have been worse without European funding.

### **Future Programmes 2014–2020**

33. We are working closely with the UK Government, other devolved governments and Welsh partners to help shape the UK's negotiating position and the policy direction for the next round of EU programmes. A summary of responses to our Reflection Exercise will be published in March and regular meetings of the Post 2013 European Partnership Forum and technical workstreams are ongoing. A formal public consultation will be held later this year. These arrangements will help inform the Welsh Government's decisions on future investment priorities and in turn, the type of future project activities to be supported.
34. A website link providing details of the future programmes, as part of the evidence provided to inform the Enterprise and Business Committee's inquiry into the draft legislative proposals for EU Structural Funds 2014-2020 is as follows:  
<http://www.senedd.assemblywales.org/ieListDocuments.aspx?CId=228&MId=644&Ver=4>

## KEY ACHIEVEMENTS

### Supporting Business

- **Business** – Businesses are benefiting significantly from 2007–2013 programmes, with £730m of total project investment (including match funding) invested to date.
- EU projects, to date, have **assisted 7,600 businesses** and supported the **creation of 2,150 businesses**.
- **JEREMIE** has already invested £82m in 384 SMEs, while the fund has leveraged £122m of private sector investments.
- **71% of the 900 procurement contracts** awarded to the private sector are Welsh businesses or those with a Welsh presence.

### R&D and ICT

- **With the doubling of R&D investment from Objective 1, £430m total investment** (EU funds £220m) is already supporting a knowledge-based economy and ICT (e.g. Low Carbon Research Institute, Advanced Sustainable Manufacturing Technologies, Business Innovation Support).
- **Over £85m total investment** (EU funds £45m) already **supporting ICT** (e.g. High Performance Computing Wales; e-Crime); a further £35 million to be invested in ICT, including Next Generation Broadband.

### Infrastructure

- **Investment of £560m of EU funds**, to date, including the £56m into the Harbour Way Peripheral Distributor Road in Port Talbot and £20m A40 Penblewin to Slebech Park projects, and some 40 regeneration schemes in 28 towns, including Colwyn Bay, Llanidloes, Merthyr Tydfil, Llanelli, Pembrokeshire, Newport and Butetown.
- A further £160m investment of EU funds is planned for infrastructure type activities including transport (A465) and Next Generation Broadband.
- **JESSICA** investment managers currently reviewing nine Expressions of Interest (EOIs), requesting some £75m in total. Expressions of interest include schemes in Neath Port Talbot; Tenby; Caernarfon; Mumbles; Swansea; Wrexham; Port Talbot; Pontypridd.

## Environment

- To date, **£225m total investment** (EU funds £120m), including £50m for **flood defences** has been invested to protect over 7,700 households, £33.5m for **ARBED** to improve housing energy efficiency for nearly 5,000 low-income households, and £7m for Wales' first tidal energy scheme '**Deltastream**' to be developed off the Pembrokeshire coast.

## Employment

- Total investment of **£570m** (ESF £290m), to date, **to help people into work**. Of which **£200m** (ESF £105m) **invested** to tackle underachievement, raise qualification, skills levels, and future employability of **over 75,000 young people** (e.g. Technocamps, ENGAGE, and STEM Cymru projects).
- **Want2Work** has already **supported 37,000 participants**, of which **10,000** have been **helped into work**.

## Skills

- Total investment of **£700m** (ESF £380m), to date, **to help increase skills levels** (e.g. Skillbuild, Skills Growth Wales, Modern Apprenticeships, Basic Skills in the Workplace).
- Proact/**Skills Growth Wales** already **supported 345 companies and 18,500 workers** to upskill, many of whom were at risk of redundancy.
- **Skill Build** has supported **21,600 participants**, to date, of which 12,900 have gained qualifications and 4,500 entered work.

- **Higher Level Skills** – Working with Universities we have already invested over £90m into developing higher level skills, including through the Knowledge Economy Skills Scholarships (KESS), Access to Masters and the Steel Training Research and Innovation Partnership (STRIP) projects.

Alun Davies AC / AM  
Y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a  
Rhaglenni Ewropeaidd  
Deputy Minister for Agriculture, Food, Fisheries and  
European Programmes



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref

Jocelyn Davies AM  
Chair  
Finance Committee

 May 2012

*Dear Jocelyn,*

**Finance Committee inquiry into the effectiveness of the European Structural Funds in Wales**

During my attendance at the Finance Committee on 29 February 2012 on the inquiry into the effectiveness of the European Structural Funds programmes in Wales 2007–2013, I agreed to provide you with further details as follows:

- Comparing the effectiveness of Structural Funds in Wales against those achieved by EU15 regions, particularly in terms of Growth and Jobs.
- Comparing the effectiveness of Structural Funds in Wales against those achieved by other UK regions, particularly in terms of Growth and Jobs.
- Setting out the consideration that WEFO gives to the future sustainability of projects during the application process.
- Setting out whether less funding is now available to further education colleges.
- Setting out the number of projects which will be funded via JESSICA which Local Authorities are either leading, or are partners in.

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Correspondence: Alun.Davies@wales.gsi.gov.uk  
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Details in response to these issues raised are attached as an Annex to this letter.

I look forward to attending the Committee again on 30 May to discuss these and further issues as part of the Committee's Inquiry.

A handwritten signature in black ink, appearing to read 'Alun', with a horizontal line underneath the name.

**Alun Davies AC / AM**  
**Y Dirprwy Weinidog Amaethyddiaeth, Bwyd, Pysgodfeydd a Rhaglenni**  
**Ewropeaidd**  
**Deputy Minister for Agriculture, Food, Fisheries and European**  
**Programmes**

## RECENT WELSH ECONOMIC PERFORMANCE IN COMPARISON WITH ORIGINAL EU-15

### Context

Performance of the original EU-15 provides a more appropriate benchmark for Wales than the expanded EU, as new members' performance has been heavily impacted by transitional effects. In this note, the focus is on Welsh relative performance over the period since 1999.

- **Impact of UK performance.** Since 2005, Welsh performance on measures of GDP and income relative to the EU-15 has been strongly influenced by a major deterioration in the relative performance of the UK as a whole. This has in turn been driven by an unprecedented increase in the indicator of the cost of goods and services in the UK compared to the average for the Eurozone. The reasons for the scale of this divergence are not fully understood and are being explored with the ONS and Eurostat.
- **Trends in the data.** The key measures used to monitor performance all display some volatility on an annual basis. It is therefore vital to consider trends and avoid placing too much weight on small differences between individual years.
- **GDP per capita and other measures.** Although relative GDP per capita is used as the key criterion for determining eligibility for EU funds, the EU itself recognises that the measure has major limitations and that it is important to examine a wider range of indicators in assessing economic performance. In particular, relative GDP per capita is influenced by demographic factors (such as the extent of the dependent population), by industrial structure (since it includes capital payments, including depreciation) and, at a sub-regional level, by commuting. The measure of primary income per capita avoids some of these limitations, as it includes the income from economic activity that is received by the residents of an area wherever that activity takes place. The employment rate is another very important indicator, as being in employment has been shown to be important not just for economic performance but also for a wide range of broader outcomes, including health and well being.

### Key messages

- **Performance of Wales as a whole**

GDP per capita. Following a period of poor performance during the 1990s, from 1999 until around 2006 Wales broadly kept pace with the EU-15. Since 2006, Welsh relative performance has declined, driven by the decline in the performance of the UK as a whole (see above).

Primary income per capita. Over the whole period since 1999, primary income per capita in Wales has increased broadly in line with EU-15. A relative improvement over the period to 2006 has been approximately offset by a relative decline since (again driven by the performance of the UK as a whole).

Employment rates. Over the whole period, Wales has had an employment rate above the EU average, with the gap narrowing since 2007 (i.e. Wales falling closer to the EU15 average).

- **Performance of West Wales and the Valleys**

GDP per capita. Over the period since 1999, the performance of West Wales and the Valleys has deteriorated relative to the EU-15, the average of EU Objective 1 regions, and Cornwall and the Isles of Scilly<sup>1</sup>. The extent of the decline has been exacerbated by the overall reduction in relative GDP per head affecting the UK as a whole since 2006. However, in interpreting this result, the limitations of GDP, particularly in respect of the role of commuting in West Wales and the Valleys, need to be borne in mind, and the results for GDP per capita considered alongside other measures, particularly primary income and employment rates.

Primary Income per capita. West Wales and the Valleys shows a higher level of primary income per capita than the average for EU Objective 1 regions throughout the period. This is in contrast to GDP per capita and reflects the important role of out-commuting in West Wales and the Valleys. Since 1999, West Wales and the Valleys has broadly kept pace with the EU-15 on this measure, with a relative improvement over the period to 2006 being offset by the UK-wide relative decline since then. In addition, West Wales and the Valleys has, if anything, improved its position relative to Cornwall and the Isles of Scilly slightly.

Employment rates. Over most of the period, West Wales and the Valleys has had an employment rate above the EU average, but has fallen below in the most recent years.

- **Performance of East Wales**

GDP per capita. From 1999 until around 2006 the performance of East Wales broadly kept pace with the EU-15. Since 2006, Welsh relative performance has declined, again driven by the decline in the performance of the UK as a whole.

Primary Income per capita. Over the whole period since 1999, primary income per capita in East Wales has increased broadly in line with EU-15.

---

<sup>1</sup> Cornwall and the Isles of Scilly, an Objective 1 region, has been included as a UK comparator for West Wales and the Valleys. A wider set of UK comparator areas is included in the Annex.

A relative improvement over the period to 2006 has been approximately offset by a relative decline since (again driven by the performance of the UK as a whole).

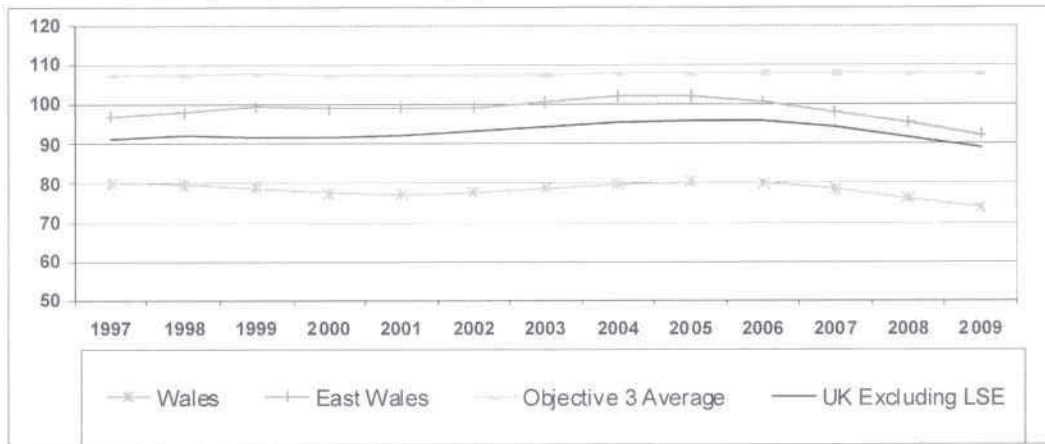
Employment rates. Over the period as whole, East Wales has had an employment rate well above the EU average, with the gap narrowing slightly in the most recent years.

## **Conclusion**

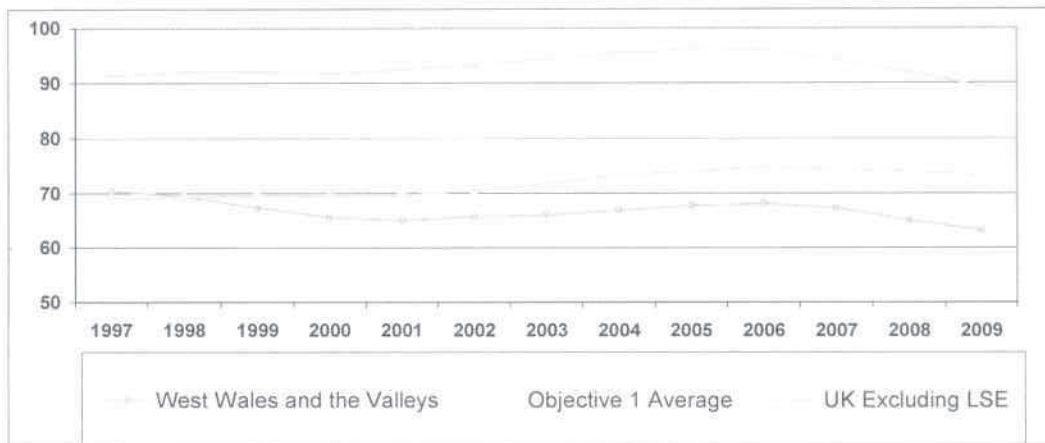
The indicators paint a mixed picture of the economic performance of Wales and its two major sub-regions. Performance in respect of relative GDP per capita is a cause for concern, but recent relative declines have been driven by the deterioration in the relative performance of the UK as a whole. Other indicators are more positive, and particularly in the case of West Wales and the Valleys, where out-commuting plays a major role, may better reflect the underlying economic circumstances of residents.

**CHARTS: GDP per capita**

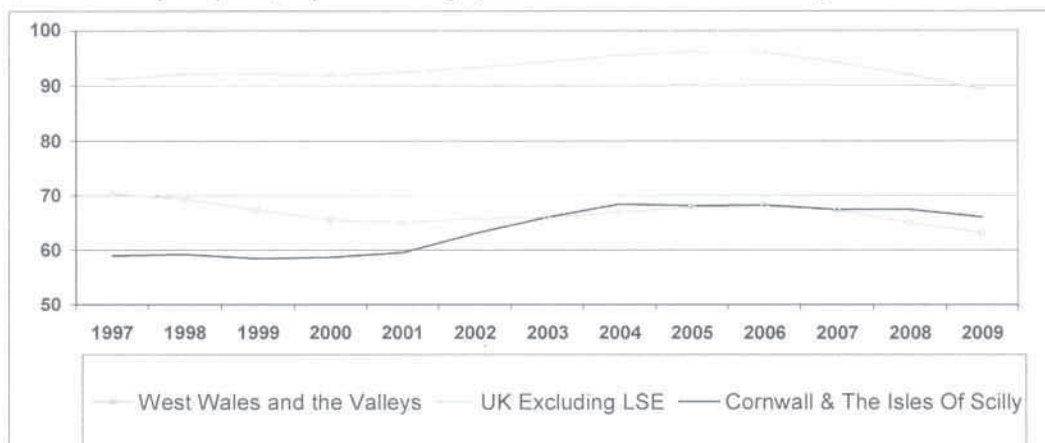
**GDP Per Capita (PPS, 3 year average): East Wales & Wales**



**GDP Per Capita (PPS, 3 year average): West Wales and Valleys**

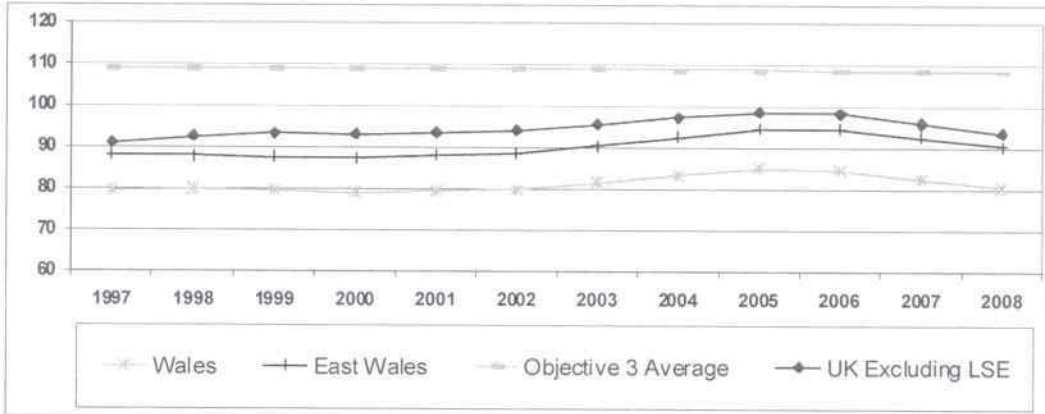


**GDP Per Capita (PPS, 3 year average): West Wales and the Valleys**

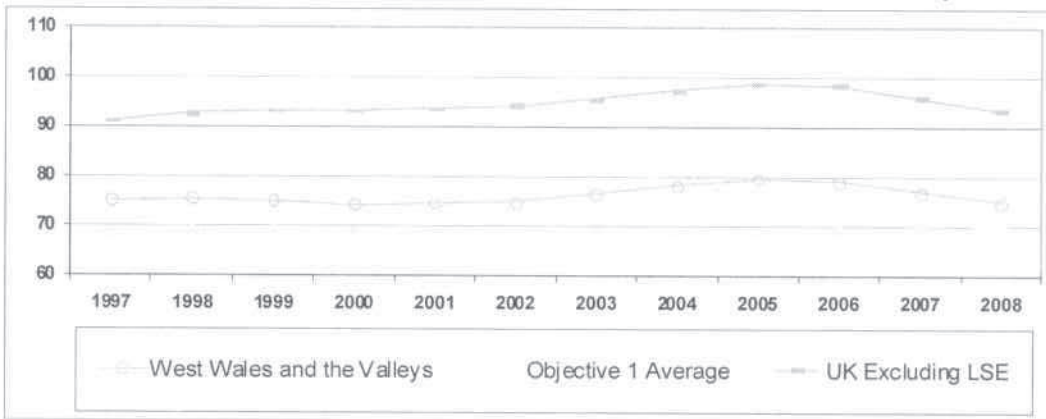


**CHARTS: Primary Income per capita**

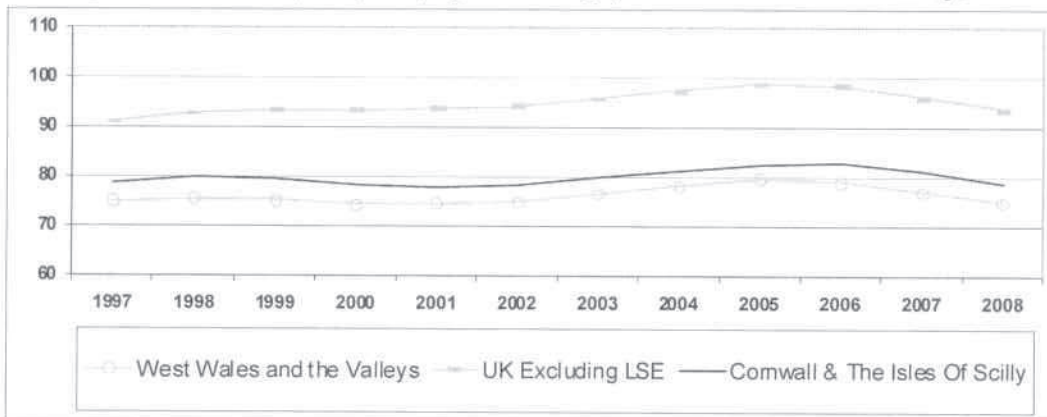
**Primary Income Per Capita (PPS, 3 year average): East Wales & Wales**



**Primary Income Per Capita (PPS, 3 year average): West Wales & The Valleys**

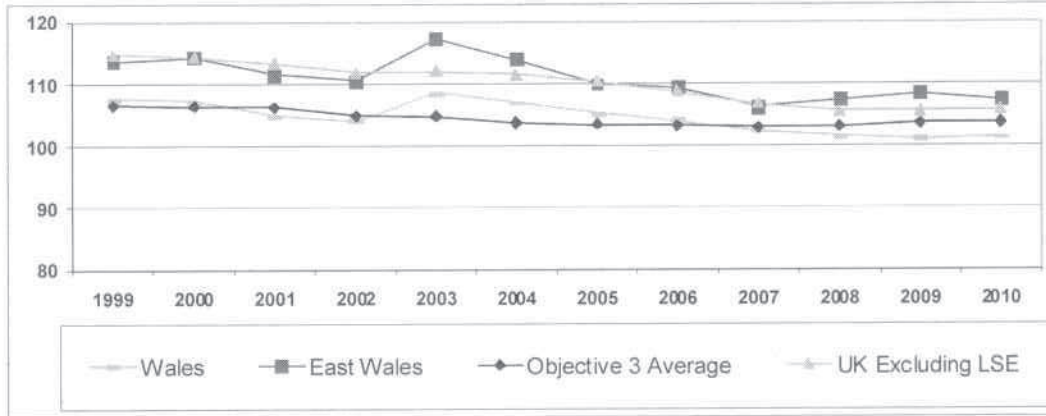


**Primary Income Per Capita (PPS, 3 year average): West Wales & The Valleys**

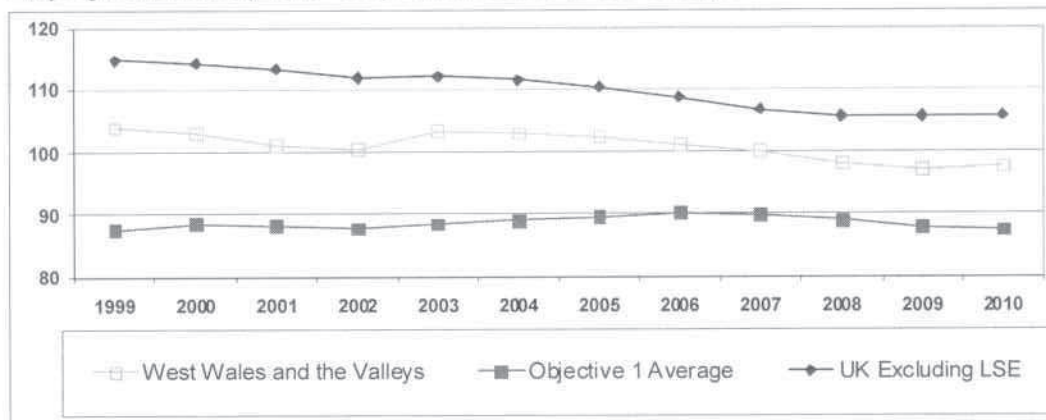


**CHARTS: Employment rates**

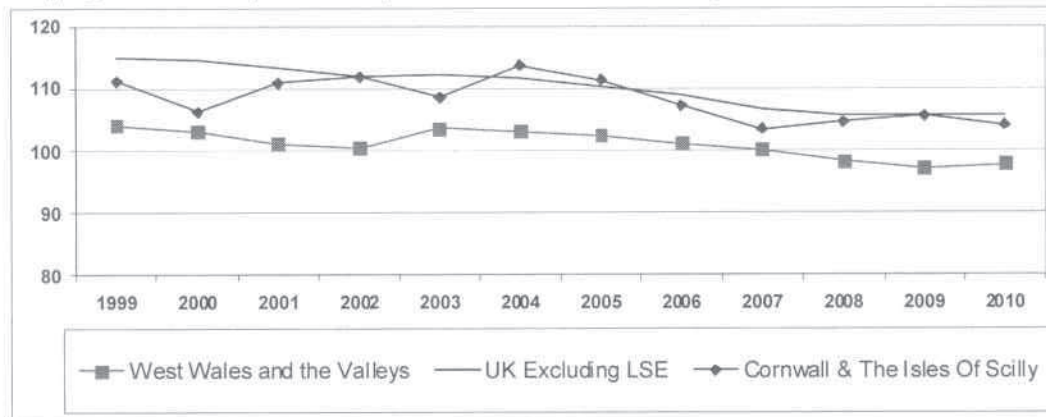
**Employment rates (EU15=100): East Wales & Wales**



**Employment rates (EU15=100): West Wales & The Valleys**



**Employment rates (EU15=100): West Wales & The Valleys**



## Annex A: UK sub-regional comparisons

Comparing with other UK Objective 1 regions shows that while West Wales and the Valleys underperformed in respect of the change in GDP per capita, it performed better than all of the other areas in respect of the change in Primary Income, and better than all except Merseyside in respect of the change in employment rates. These latter measures better reflect the economic well-being of residents that does GDP per capita, especially where commuting plays a major role. The following tables show latest available data for GDP, Primary Income and Employment rates.

### GDP (3 year average, PPS, EU15=100)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
West Wales and the Valleys	67.3	65.6	65.1	65.8	66.1	67.0	67.8	68.2	67.3	65.16	3.2
Merseyside	70.8	72.1	72.4	74.9	75.9	77.2	77.0	76.5	75.3	73.67	2.3
South Yorkshire	75.1	75.7	75.9	77.7	78.8	80.5	81.6	82.2	81.1	78.57	6.1
Cornwall and Isles of Scilly	58.4	58.7	59.7	63.1	66.1	68.5	68.2	68.3	67.5	67.56	6.1

### Primary Income (3 year average, PPS, EU15=100)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
West Wales and the Valleys	75.1	74.3	74.6	74.9	76.6	78.1	79.5	79.0	76.9	74.9
Merseyside	80.2	80.2	80.4	80.8	82.1	83.7	84.5	83.6	81.0	78.7
South Yorkshire	84.0	84.5	84.9	85.3	86.7	88.4	89.7	88.8	85.3	82.0
Cornwall and Isles of Scilly	79.3	78.3	77.9	78.1	79.7	81.1	82.6	82.8	81.0	78.7

### Employment rates (EU15=100)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
West Wales and the Valleys	104.0	103.1	101.1	100.5	103.5	103.0	102.5	101.1	100.1	98.29	7.1	97.7
Merseyside	97.4	99.8	100.2	100.8	103.0	102.5	101.8	100.0	96.1	93.69	7.9	97.7
South Yorkshire	108.9	107.3	108.2	106.5	106.9	106.4	105.2	101.2	100.0	98.29	6.2	100.3
Cornwall and Isles of Scilly	111.2	106.2	110.9	111.8	108.5	113.7	111.4	107.3	103.4	104.5	105.6	104.0

## WEFO CONSIDERATION OF SUSTAINABILITY IN PROJECTS AND GUIDANCE ON ARTICLE 55: REVENUE GENERATING PROJECTS

### Sustainability/exit strategy in the development, assessment and monitoring of EU projects

Sustainability is a key consideration in the assessment and monitoring of EU projects so that social, economic and environmental activities and outcomes are achieved through the Structural Funds programmes.

Some projects, by their very nature are more sustainable than others. For example, infrastructure developments, such as road schemes and research and innovation centres, create an asset that has an ongoing value. In addition, Financial Engineering Instruments (i.e. JEREMIE/JESSICA) due to the revolving nature of their investment activity, create legacy funds. On a smaller scale, the Communities Investment Fund (CIF), a third sector loan scheme, is also sustainable as a result of repayments being used to create an evergreen fund which will continue to benefit the third sector in Wales in future years.

Certain projects, however, will only be expected to deliver their activities during the EU funding period, addressing immediate gaps in provision; e.g. targeted grant schemes such as the Local Investment Fund which provide small level grants to help local SMEs to start up and grow.

## **Appraisal process**

WEFO's assessment of a project's future potential sustainability/exit strategy is made at the beginning of the appraisal process for EU funds.

At 'Expression of Interest' stage (the first stage of the application process), project sponsors must provide evidence against five key selection criteria, as agreed by the All-Wales PMC. This includes 'fit with and contribution to agreed strategy' and 'market need'. These two criteria provide a useful guide to the future sustainability or legacy of the project proposal as they can help establish how the project integrates with other activity and whether the market can sustain its activities beyond the EU funding period.

At Business Planning stage (involving a more detailed assessment of the proposal), WEFO assesses the project against the full selection criteria including: funding certainty, organisational capability to deliver, legacy contribution, achieving an exit strategy etc. At this stage, the sponsor must address the following:

- the reliability of their match funding contribution;
- reliance on other funding e.g. from the private sector or other competitive public sources; and
- income generated (this can be limited by Article 55 unless State Aid cover is in place).

WEFO assesses the exit strategy to ensure that, where possible, projects will be able to support its end beneficiaries beyond the EU funding period. A good strategic fit and market need can be strengths which can help secure other sources of funding in the future. However, projects are not without risks. To help mitigate these, WEFO can apply special conditions relating to exit strategies or sustainability.

As well as assessing project sustainability, WEFO future-proof all projects in terms of wider sustainable development. All projects must also consider their particular impacts and opportunities on environmental sustainability and equal opportunities through formal specialist assessments. These sustainable development considerations are included in the formal project and selection criteria for project approval.

## **Monitoring and Evaluation**

During project delivery, future sustainability can be identified by project management and progress in delivering activities, which is monitored closely by WEFO as part of project review meetings and other arrangements. WEFO is aware, however, that funding options and exit strategies may change as circumstances change.

All sponsors are required to undertake an evaluation of their projects, while those awarded £2m or over of EU funds require independent / external evaluations. The evaluation plan must address: economic impact, market need, and progress towards the exit strategy.

WEFO can also request mid-term evaluations to ensure project activities and exit strategies remain fit for purpose and / or reflect changing circumstances.

In addition, WEFO can require evaluations of small innovative 'pilot projects' to address issues of impact and self sustainability, and suitability for future development.

## **Article 55 guidance: Revenue generating projects**

WEFO guidance on 'Article 55: Revenue generating projects' was published on WEFO's website in September 2011. The guidance can be found via the following web link: <http://wefo.wales.gov.uk/publications/guidance/general/article55>

## **EU FUNDING FOR FURTHER EDUCATION ORGANISATIONS: COMPARISONS BETWEEN 2007–2013 AND 2000–2006 STRUCTURAL FUNDS PROGRAMMES**

EU funding awarded to the FE sector through the Objective 1, 2 and 3 Programmes 2000–2006 was £79m.

Given the strategic delivery approach of the 2007–2013 programmes, the FE sector can access funding in a variety of ways: directly as a lead or joint sponsor, or indirectly, by winning procurement contracts to deliver the activities of EU projects.

The total funding for the sector will not be known until the programmes end, but it can already be evidenced that the FE sector will benefit more from the 2007–2013 programmes.

To date, £24m of EU funds have been awarded to projects with the FE sector as the lead sponsor. As procured deliverers, FE institutions have already been awarded contracts worth £55m (these contracts may either be wholly funded by EU funds or may contain an element of match funding). In addition, £14m has been awarded to the Welsh Government's £45m (ESF £14m) Pathways to Apprenticeships project, which is delivered through the FE sector. The sector has also been awarded funding as joint sponsors of EU projects, where the amount of funding will depend on how these projects progress.

In relation to Coleg Morgannwg specifically, the College has been awarded ERDF Convergence funds of nearly £7m as lead sponsor for the £40m Nantgarw 3 (Taff Ely Learning Campus) project, which involves the purchase of land and construction of a college building for the delivery of post-16 education and vocational training in the Rhondda Cynon Taf area.

The College has also been awarded procurement contracts worth around £5m to help deliver the activities of EU projects. The College is also a match funder of the ESF funded Building the Future Together and Bridges into Work projects.

## **JESSICA: LOCAL AUTHORITY INVOLVEMENT**

There are currently 42 pipeline proposals, of which 18 have Local Authority involvement either directly or as a potential project partner/supporter. The remaining 24 are private sector proposals.

Of the 42 proposals, JESSICA investment managers have prioritised 11 Expressions of Interest (EOIs) for review, requesting some £78m and worth around £108m. Expressions of interest include schemes in Neath Port Talbot; Tenby; Caernarfon; Mumbles; Swansea; Wrexham; Port Talbot, Porthcawl, Cynmael, Newport and Pontypridd.

Of these 11 EOIs, two are local authority led while a further two have direct Local Authority involvement; either as co-investors/partners in the proposal or in supporting the proposed

development. Six sets of indicative investment terms have been issued, of which 2 are Local Authority led.

It is important to clarify that a project's eligibility for JESSICA investment is the proposed development's inclusion within an Integrated Plan for Sustainable Urban Development.

Therefore, in all cases the relevant Local Authority has considerable influence on the principles of any proposed scheme; for example, via integration with the local development plan or Master plan, and approval of planning permission.

Jane Hutt AC / AM  
Y Gweinidog Cyllid ac Arweinydd y Tŷ  
Minister for Finance and Leader of the House



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref

Jocelyn Davies AM  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

22 February 2012

*Dear Jocelyn*

## **Revenue to Capital switches – Central Services MEG**

During Monday's Finance Committee scrutiny session on the second Supplementary Budget for 2011-12, I agreed to provide the Committee with additional information on a number of areas, one relating to the reason behind the £6.7m switch from revenue to capital in the Central Services and Administration MEG. As promised I am able to provide the following detail behind this transfer.

£3.95m of the transfer is in respect of property refurbishments and maintenance. There are opportunities to make significant efficiencies to the premises in Cathays Park as this property was completed in 1979 and so presents us with significant opportunities to create efficiencies in utilisation and energy consumption.

Another significant area of savings is the rationalising of the Welsh Government estate. Investment in our premises to make them more efficient in terms of space utilisation means that we are able to generate cumulative savings of over £18 million and recurrent annual running cost savings in excess of £5.3 million from 2015. This represents a reduction of approximately 30% against current occupancy costs.

The remaining £2.75m relates to the costs of upgrading Microsoft XP software. This software is old and the company have stated that they will no longer support it beyond 2014. The original intention was for this cost to be met from future years budgets but the flexibility available to us has allowed us to meet this cost now and to avoid any future increases in the cost of upgrade.

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CF99 1NA

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Llinell Ymholiadau Cymraeg 0845 010 4400  
Correspondence: Jane.Hutt@wales.gsi.gov.uk  
*Printed on 100% recycled paper*

I hope that this response answers the questions raised by the Finance Committee in respect of the transfer within the Central Services and Administration MEG. I will respond to the other points raised at Committee as soon as possible.

Best wishes,



**Jane Hutt AC / AM**

Y Gweinidog Cyllid ac Arweinydd y Tŷ  
Minister for Finance and Leader of the House

# Finance Committee

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Meeting Venue: **Committee Room 1 – Senedd**

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Meeting date: **Monday, 20 February 2012**

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Meeting time: **13:00 – 14:10**

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This meeting can be viewed on Senedd TV at:

[http://www.senedd.tv/archiveplayer.jsf?v=en\\_200000\\_20\\_02\\_2012&t=0&l=en](http://www.senedd.tv/archiveplayer.jsf?v=en_200000_20_02_2012&t=0&l=en)

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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## Concise Minutes:

### Assembly Members:

**Jocelyn Davies (Chair)**  
**Peter Black**  
**Christine Chapman**  
**Paul Davies**  
**Mike Hedges**  
**Ann Jones**  
**Julie Morgan**  
**Ieuan Wyn Jones**  
**Jane Hutt**

### Witnesses:

**Jeff Andrews, Welsh Government**  
**Jo Salway, Acting Deputy Director of Strategic Budgeting**  
**Martin Sollis, Deputy Director of Finance**

### Committee Staff:

**Tom Jackson (Clerk)**  
**Daniel Collier (Deputy Clerk)**  
**Martin Jennings (Researcher)**  
**Eleanor Roy (Researcher)**

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## 1. Introductions, apologies and substitutions

1.1 The Chair welcomed Members and members of the public to the meeting.

## 2. Welsh Government Supplementary Budget 2011–2012 – Minister for Finance

2.1 The Chair welcomed Jane Hutt AM, Minister for Finance; Jo Salway, Head of Strategic Budgeting; Martin Sollis, Deputy Director of Finance; and Jeff Andrews, Specialist Policy Adviser.

2.2 Members scrutinised the Minister.

### **Action points:**

The Welsh Government agreed to provide:

- A breakdown of how additional capital has been invested in the Central Services portfolio.
- A note highlighting the reconciliation of the Education and Skills MEG against the structure in the draft budget, reflecting the changes in the current supplementary budget.
- Clarification on whether the Wales Economic Growth Fund would be sourced from the Legacy Single Investment Fund and clarification of whether there was underspend in the Legacy Single Investment Fund.
- Further details on the Invest-to-Save fund, including clarification on which financial year the additional £10 Million of Invest-to-save funding (announced by the Minister in December 2011) would be allocated toward.
- A list of all award and repayment profiles made within the Invest-to-Save Fund.

### **3. Papers to note**

3.1 The Committee noted the correspondence from the Minister for Local Government and Communities on the Public Service leadership group National Work Programmes.

3.2 The Committee ratified the Minutes of the meeting on 25 January 2012.

### **4. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

Items 5–7

### **5. Draft Budget Protocol with the Welsh Government**

5.1 The Committee agreed part 1 of its budget protocol with the Welsh Government.

### **6. Prudential borrowing and innovative approaches to capital funding – Expert Adviser**

6.1 The Committee agreed the appointment of an expert adviser for its inquiry into *Prudential borrowing and innovative approaches to capital funding*.

### **7. Discussion of Evidence – Welsh Government Supplementary Budget 2011–2012**

7.1 The Committee discussed the evidence provided by the Welsh Government in relation to its Supplementary Budget 2011–2012.

### **TRANSCRIPT**

[View the meeting Transcript](#)

By virtue of paragraph(s) vi of Standing Order 17.42

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