



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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Ychwanegol](#)

[The External Affairs and Additional Legislation
Committee](#)

06/03/2016

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w dystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Dawn Bowden Bywgraffiad Biography	Llafur Labour
Michelle Brown Bywgraffiad Biography	UKIP Cymru UKIP Wales
Suzy Davies Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Steffan Lewis Bywgraffiad Biography	Plaid Cymru The Party of Wales
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Eluned Morgan Bywgraffiad Biography	Llafur Labour

Eraill yn bresennol
Others in attendance

Cynghorydd / Councillor Phil Bale	Llefarydd dros Faterion Ewropeaidd, Cymdeithas Llywodraeth Leol Cymru Spokesperson for European Affairs, Welsh Local Government Association
Paul Byard	EEF Cymru, Sefydliad y Gweithgynhyrchwyr EEF Wales, The Manufacturers' Organisation
Janine Downing	Cyngor Gweithredu Gwirfoddol Cymru Wales Council for Voluntary Action
Phil Fiander	Cyngor Gweithredu Gwirfoddol Cymru Wales Council for Voluntary Action

Richard Morgan Plant y Cymoedd
Valleys Kids

Tim Peppin Cymdeithas Llywodraeth Leol Cymru
Welsh Local Government Association

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

Rhys Morgan Clerc
Clerk

Sara Rees Dirprwy Glerc
Deputy Clerk

Ben Stokes Gwasanaeth Ymchwil
Research Service

Dechreuodd y cyfarfod am 14:02.
The meeting began at 14:02.

Cynnig o dan Reol Sefydlog 17.22 i Ethol Cadeirydd Dros Dro
Motion under Standing Order 17.22 to Elect Temporary Chair

[1] **Mr Rhys Morgan:** Prynhawn da a chroeso i gyfarfod y pwyllgor materion allanol. Rydym ni wedi derbyn ymddiheuriadau gan y Cadeirydd, David Rees, heddiw, felly yr eitem gyntaf yw cynnig ar gyfer ethol Cadeirydd dros dro. A oes unrhyw enwebiadau, os gwelwch yn dda?

Mr Rhys Morgan: Good afternoon, and welcome to this meeting of the external affairs committee. We have received apologies from the Chair, David Rees, today, therefore the first item is to propose for the election of a temporary Chair. Are there any nominations, please?

[2] **Steffan Lewis:** Hoffwn i enwebu Jeremy Miles.

Steffan Lewis: I would like to nominate Jeremy Miles.

[3] **Mr Rhys Morgan:** A oes unrhyw enwebiadau pellach? Rydw i'n gweld nad oes. Felly, yn unol â Rheol Sefydlog 17.22, rwy'n datgan bod

Mr Rhys Morgan: Are there any further nominations? I see that there are none. Therefore, in accordance with Standing Order 17.22, I declare

Jeremy Miles wedi'i ethol yn that Jeremy Miles has been elected as Gadeirydd dros dro ar gyfer y the temporary Chair for this meeting. cyfarfod.

*Penodwyd Jeremy Miles yn Gadeirydd dros dro.
Jeremy Miles was appointed temporary Chair.*

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau Introductions, Apologies, Substitutions and Declarations of Interest

[4] **Jeremy Miles:** Thank you. I'd like to welcome Members to the meeting of the External Affairs and Additional Legislation Committee, where we will be continuing our inquiry into regional policy. The meeting will be conducted bilingually. You can access a Welsh-to-English translation on channel 1 of the headsets, and amplification on channel 0. Could you please turn off any electronic equipment that might interfere with the broadcasting of this session? We aren't anticipating any fire alarm tests, so if there are any, please follow the instructions that you're given. We have received no apologies apart from those of the Chair, David Rees, who is away on committee business.

14:03

Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn Dystiolaeth 3 Inquiry into Regional Policy—What Next for Wales?—Evidence Session 3

[5] **Jeremy Miles:** So, we will start with our first evidence session. Perhaps you could introduce yourselves to us.

[6] **Mr Bale:** Thank you very much, Chair. My name is Councillor Phil Bale, and I'm leader of Cardiff city council and also the Welsh Local Government Association spokesperson for European affairs.

[7] **Mr Peppin:** I'm Tim Peppin. I'm the director of regeneration and sustainable development at the Welsh Local Government Association.

[8] **Jeremy Miles:** Thank you, both, for joining us this afternoon. Members have got a range of questions, and I'll kick off with questions around article 50 and whether you feel that there are any considerations in the timing, or the potential conduct of those negotiations, which could adversely impact on

the current allocation of structural funds.

[9] **Mr Peppin:** I think, if we're looking at a March 2019 exit date—assuming that two-year trigger period—that is clearly before the end of the scheduled programme, which is up to 2020. So, there are issues around the closure of the current programme, and there would be concerns about the pressure to, perhaps, bring spend forward. I think that could impact on the types of projects that are coming forward. There may be more of a tendency to look at projects where you can turn the tap off quickly. Some of the infrastructure projects clearly have a long lead-in period, and they do require some detailed feasibility work and so on. That could make it difficult to get some of those projects up and running in the timescale so that you can get a commitment before we leave. Now, clearly, the pressure is on to get those commitments before we leave to ensure that we get either European money, or, after we leave, we benefit from the HM Treasury's guarantee.

[10] **Jeremy Miles:** Councillor Bale, do you have any observations?

[11] **Mr Bale:** Just simply to add that the Welsh European Funding Office have an important role to play here in terms of supporting local authorities across Wales to make decisions as speedily as possible and to support them in their projects as they bring them forward.

[12] **Jeremy Miles:** Do either of you have a view on how best to negotiate the end date of programme eligibility within the envelope of things that are on the table for negotiation?

[13] **Mr Peppin:** I think one of the things that would be useful is to have some clear timetables set out for project sponsors so that there's clarity over the amount of money available for each of the priorities and measures, and some sort of deadline for when submissions can be made by, because I think that gives people much more of an idea of the scale of funding that's available and the timescales they're working to, and you'll get the right type of projects coming forward then. What we need to avoid is a situation where there's uncertainty over closure dates, which makes it very difficult then in terms of project preparation and planning.

[14] **Jeremy Miles:** Okay. Suzy Davies.

[15] **Suzy Davies:** Thank you, Chair. Do you have any concerns, then, about the funding guarantee given by the UK Government?

[16] **Mr Peppin:** I think one of the concerns we have is, obviously, they've said that it is conditional, and it's conditional on the project being in line with strategy. What we need clarity over is—. You know, we've had some assurances that that is regarding Welsh strategy for the projects, but, of course, when you're saying it's conditional on it being in line with strategy, who makes the decision on whether it's aligned? Then there is a range of other factors associated with those projects, such as audit work: who's going to carry out the audit work? Who picks up the cost of those? Is that included as part of the guarantee? So, we've had a guarantee, which is good to a certain extent, but there are a lot of issues around that guarantee that perhaps we need a bit more clarity over so that people bringing projects forward know exactly what they're entering in to.

[17] **Suzy Davies:** That's a helpful answer, actually. Do you have anything to add to that?

[18] **Mr Bale:** No, I think that's pretty comprehensive.

[19] **Suzy Davies:** Okay, well just on the question of whose strategic priorities are there, we took evidence last week from witnesses who considered that the existing regional funding system, if you like, is verging on the too prescriptive; what's come out of the European Union has actually affected considerably how decisions are made here about how money should be spent. Do you have any views about how flexibly WEFO could be interpreting what's required currently, let alone in the future?

[20] **Mr Peppin:** Yes, I think we do need to have a spirit of working together on this. I think we all know that there's pressure now to get spend done. As Councillor Bale said, it's very important that the way that the project management and the assessment is done is done in a timely way, so that people putting projects forward get quick feedback. We have heard stories where people have waited quite a while for feedback on projects that have gone forward. We understand the pressures in going through all of these different projects, but, clearly, there needs to be a spirit of working together on this to make sure that the project sponsors get rapid feedback, which allows them to do any further work that's required in a timely way, so that we can get the commitments and then we can get the spend, because I think one of the issues is that there's a reasonable commitment at the moment but the level of spend is still quite low. And, clearly, you know, the level of spend will be important come the cut-off date when we leave. So, the more that can be

done to facilitate that assessment process and make sure it's done as quickly as possible, even if that means putting a bit more resource in, because I think the payback would be there.

[21] **Suzy Davies:** So, you're already getting a sense that WEFO need to speed up, but are you getting a sense that they're, shall we say, looking at the end date, which could be 2019 for some of the projects potentially, and encouraging people who are already benefiting from structural funds to perhaps re-profile what they're doing now in order to make it a little bit easier for other people to pick up after, say, 2019? So, this issue about whose strategic priority is being addressed now. I appreciate it will take some kind of guesswork in some cases, but is that work being done now, or do you just get a sense everyone's going to wait until 2018 and hope for the best? That's overstating it, obviously.

[22] **Mr Peppin:** I think there are discussions going on, and clearly, WEFO have project officers who work with the people working on the projects, and there will be dialogue going on. I think the other thing to note, though, is that, different to the previous programmes, we are looking at a smaller number of large strategic projects. In the previous programmes, local authorities were quite often the project sponsors, and there were lots of projects put in that they were individually responsible for. The difference now is that we've got a lot of these backbone and large-scale projects where Welsh Government is often the sponsor. The number that the local authorities have put in is much smaller, and they tend to be groups of authorities working at a regional level on things like training initiatives and so on.

[23] **Suzy Davies:** Well, actually, I noticed—we were given some papers from the clerks about the current programmes—and you're quite right that a lot of them seem to be Welsh Government led. Then there's a big chunk of them that seem to be local authority led, some are third sector led, and very few are private sector led, outside those companies that are actually providing direct skills training, rather than, say, a well-known company undertaking some of that work themselves in-house, if you like. Why do you think that has happened over the last couple of decades that we've been getting this money? Is it a philosophy that we have in Wales, or is it that our private sector is unable to run this—as a project lead, I mean?

[24] **Mr Peppin:** I think the issue there is that the private sector can't be a sole beneficiary of European funding.

[25] **Suzy Davies:** Yes, I get that.

[26] **Mr Peppin:** So, there are issues there, but a lot of the large projects that are going forward will benefit the private sector. So, they are schemes that are run that the private sector can then benefit from in one way or another

[27] **Suzy Davies:** Well, with the purpose of benefiting everybody, of course. This is not for the benefit of the private sector.

[28] **Mr Peppin:** No, no—

[29] **Suzy Davies:** It's to use the private sector to lever a good outcome for everybody. Do you feel that the way that we've had direction from the European Commission, though, has hamstrung that in any way, or is it the decisions that are made here in Wales, actually, that have led off in a particular decision? I'm asking these questions now because there will be questions about what the future is going to look like. So, I just need to get a sort of sense of where we are now, really.

[30] **Mr Peppin:** Yes, I think there are—. We're all aware that the requirements from Brussels are quite demanding when you're putting a project forward, and then there are demands that come from the way that WEFO administer their schemes as well. I think—as you've hinted at—there's a huge opportunity, really, to start to look at new ways of using the funding, and you actually divide—. Because the rules have to apply across all of the European member states. So, that's why they are quite complex because they've got to work everywhere. I think, if we can look at developing some rules that work for Wales, then we've got the opportunity to actually fashion something that is much more customised and much more tailored.

[31] **Mr Bale:** I was just thinking, in terms of the future, you have got the potential, through the evolving city deal structures now, to actually see a governance arrangement, or partnership arrangements, develop that actually bring more private sector involvement on board. I think that's certainly something that we've seen in Cardiff through the city deal arrangements here. There's a process under way to set up a new growth partnership that will bring together a range of partners from the private sector, research institutions, and employer–employee organisations. I think that's certainly something that we would want to see replicated then across Wales.

[32] **Jeremy Miles:** We are going to come onto that. I want to explore that in more detail.

[33] **Suzy Davies:** Yes, I was just going to say now not to sort of give us too much detail on that. I think that's all I've got at the moment, Chair. I might come back in on that. Thank you.

[34] **Jeremy Miles:** Just one point, Mr Peppin, you talked about there being dialogue around projects moving forward. Would you say that you've detected any change in approach on the part of WEFO to recognise the imminence of the end of these projects at this point? Or is it all in the future, as it were?

[35] **Mr Peppin:** I don't have direct project involvement within my role in the WLGA, but from what I hear, certainly through the programme monitoring committee, WEFO are giving regular updates to the local authority representatives who sit on there. The feedback that we get from those who have local authority projects is that there is a dialogue going on. The urgency of this, I think, is recognised by everyone.

[36] **Jeremy Miles:** Okay. Thank you. Michelle Brown.

[37] **Michelle Brown:** Thank you. We've heard evidence before the committee from Professor Becker, from Professor Kevin Morgan and Dr Woolford, that the structural funds haven't been transformative. Some of the statistics produced by the Welsh Government: there's a growth in employment claimed, over 16 years, of 6 per cent. I wouldn't call that transformative myself. What's your view of the effectiveness? How effectively is this money currently being used in your opinion?

14:15

[38] **Mr Peppin:** I think you've got to see it in context. In relation to the scale of GDP in Wales, it's a small percentage, so you can't expect miracles. Although, in regeneration terms and in economic development terms, it's been the main game in town because resources have been cut, and so therefore European funding has been an important source of activity on the economic development and regeneration fronts. I think what we've seen is a very mixed bag. I think there have been some successful projects that have been undertaken with European funding, but one of the issues, I think, is

that, for years, we have had a top-down approach. We've had programmes developed at European level, or at UK level, and then local authorities and other bodies are expected to respond to those projects, and there can be an element of chasing the money—you know, there is money available to do something, so you follow that path.

[39] I think what we need to move towards is a more bottom-up, ground-building approach, like we're seeing at the moment. Councillor Bale mentioned the work that's going on in the city deal; we've seen that work in the four regions of Wales, where the local authorities are working together with partners, coming up with regional development plans. What we now need to do is align the resources behind those development plans, so we can actually deliver. I think if we can get into that way of working, we will see far more results than when you're trying to respond to a top-down approach. So, in other words, we've done the assessment of need, we've identified what we think we need to address that need, now we need the funding to align behind the projects to tackle those issues. I think that's how we'll probably start to see more transformation.

[40] **Mr Bale:** I don't think that's just a frustration that may have emerged in Wales, when I talk to other European city leaders. We're a member of Eurocities in Cardiff, for example, and there was a conference in Milan recently where there was a real palpable sense of frustration at the European Commission, having been the main delivery agents for many of those programmes and projects in cities across Europe, that they didn't feel as though they were being listened to or had sufficient access, and it was all through the member states. I certainly sense now that there is a wish to open up a new conversation, post the referendum result, on how those cities can have a better working relationship with the Commission, going forward, as a result of that decision.

[41] **Michelle Brown:** Structural funds, et cetera, are required to be match funded, aren't they? What effect does that have on the projects that are actually funded, if at all?

[42] **Mr Peppin:** I don't think it's been a major issue, really. Increasingly, there's an issue with the change in the exchange rate as well, because we're going to have to find more match funding now. I said earlier about how we've moved to a more strategic approach, so a lot of these are almost matched at source by Welsh Government, which is an effective way of doing it. In previous programmes, what we tended to see was there would be

money from Welsh Government that was for various programmes within Wales, and then that funding was used by a local authority or a voluntary organisation as their match funding. So, I think what we've done is we've parcelled that up and done these larger scale projects, which has meant that match funding has been found by the Welsh Government. As I say, that's an efficient way of doing it, but when you come to delivery, you do then need to have that local joint working between Welsh Government and the local authorities, because the local authority will be the planning authority, they'll be the local transport authority, and when you deliver on the ground you will need to have that, sort of, joint working.

[43] **Michelle Brown:** Okay, thank you.

[44] **Jeremy Miles:** Can I just ask you about the nature of the evidence base that has been put together to support the objectives of the local authority-led projects? How has that been constructed?

[45] **Mr Peppin:** I think the local authorities have worked together to do an analysis of their regions' strengths and weaknesses, and I think it leads to a very different type of analysis. For example, on the planning front, each individual authority doing their own local development plan would come up with a certain set of proposals. When you look at that on a regional basis, you come up with a very different set of ideas of what would be the way forward. It opens up a lot more opportunities. I think, in preparing for that sort of regional planning, what the local authorities are doing is starting to pull the information they hold so they can have regional databases of information. We're actually in the process of looking at a mapping package now, so we can start to put this information into the geographic information system, so that when projects come forward, we can put them on a layer of city deal projects or European projects, and we can start to look spatially at where those projects are going to play out.

[46] I think one of the things with the regional working is we can start looking at packages of investment where you're not so grant dependent. There may well be—. To give you an example, look at the metro in south-east Wales: if you start to talk about residential development around hubs or commercial development at stations, those are the sorts of things that have a commercial return. So, there's a possibility of bringing in other sources of investment.

[47] You asked about the research that's gone on and the data sources;

what is happening now is that the local authorities are looking regionally at what those opportunities are and then putting together assessments that form the basis, then, for their regional development plans. So, it's an assessment of the need in the area, the opportunities in the area and then the development of projects that will actually maximise the response to those.

[48] **Jeremy Miles:** You're describing a collaborative approach there and pan-regional working, if you like, but is there anything about the nature of the evidence, or the availability of data, that poses an obstacle at this point?

[49] **Mr Peppin:** I think there will be data gaps, but increasingly, local authorities are looking at ways of overcoming those, and where there are gaps identified, there have been examples of local authorities working together to commission pieces of work and have studies undertaken so that they can fill those gaps.

[50] **Mr Bale:** We're also seeing the university sector step up to the mark. So, a few days ago, I think the City Region Exchange at Cardiff University published a 'State of the City Region' report for the Cardiff capital region, and that overview, on a regional basis as opposed to just individual authorities, is also starting to emerge, which I think is quite helpful.

[51] **Jeremy Miles:** Thank you. Steffan Lewis.

[52] **Steffan Lewis:** Thank you, Chair. I just wanted to follow up on an issue you raised about the approach to spending structural funding now being strategic. What has it been, then, for the last 18-odd years, if it hasn't been strategic, until we're on the verge of leaving the European Union?

[53] **Mr Peppin:** I think, in the past, it's been more down to local bodies to respond to the funding opportunities, which has meant that there hasn't been anyone necessarily standing back and saying, 'Do these projects, if we implement all these, which are all very worthy, make sense when you put them all together?' I think that's the difference now. We're actually having a look at projects and saying, 'Do they respond to the needs of the region?' So, you may well have had individual projects that made sense on their own and they would've received funding in the past, but they weren't considered as part of a wider infrastructure investment.

[54] **Steffan Lewis:** So, would it be right to assume that, to date, it's been

local authorities looking at regeneration opportunities that have been quite local—hyperlocal regeneration—and European funding has been used to fulfil those very local regeneration schemes, and little national co-ordination in terms of, actually, what are the overall objectives and what's the long-term legacy meant to be? Would that be right?

[55] **Mr Peppin:** I think perhaps that's going a bit too far. There have been some projects that have been introduced—. Obviously there's been a mix of sponsors, and there have been some Welsh Government schemes that have been aimed at addressing regionally important or nationally important projects, as part of the previous programmes. But, for the local authorities, they would look at it in terms of, 'What are the funding opportunities? What do we want to do on our patch?' and they would bid accordingly, because that was the way it was set up. What we've got now is a different situation where the local authorities are working together across the wider region and they've developed plans to respond to the regional needs, and then the funding can be directed at those more strategic needs. So, you get a different type of project that's coming forward because of the new approach.

[56] **Steffan Lewis:** Can I just have one final one?

[57] **Jeremy Lewis:** Yes.

[58] **Steffan Lewis:** What do you think has been the catalyst to change that way of operating? Because, of course, a lot of people criticise the European Commission and its stringency and its inflexibility, but actually, so much flexibility is down to the member state and then the sub-state Governments in terms of how, precisely, it's administered. So, has this collaborative regional approach now been identified as a way forward, because of any particular reason, or has there been an evaluation of what hasn't quite worked and now this is the way forward? How did that come about?

[59] **Mr Peppin:** I think it's been an emerging picture, to be honest. The WLGA had regional partnerships and they'd been running for a long time, and they were bringing together chief executives and leaders from the local authorities for a number of years to discuss joint issues. So, that created a platform for what we're seeing now. I think there's been a long gestation getting to this point but, increasingly, local authorities have become used to sitting around the table, talking about regional issues, working together. I think, also, austerity has been another factor. It would be silly to deny the fact that the financial squeeze is causing local authorities to look at ways

that they can work together that will help to deal with the financial pressures they're facing.

[60] **Jeremy Miles:** Thank you. Eluned Morgan.

[61] **Eluned Morgan:** It's clear that some local authorities performed better than others in terms of, in the past, being able to draw down funding, and that perhaps has been a weakness of the programme, because some of those local authorities are areas where, actually, they need the money, and they haven't had the capacity locally to be able to draw it down. Some might argue that, actually, a city like Cardiff, which is not strictly speaking in the convergence area, has had huge amounts of money from convergence and may think that, actually, that is going against the thrust of regional policy. I don't happen to agree with that, but I just think it's something that's worth emphasising. I just wondered, in terms of post Brexit, whether we need to start thinking—you know, why do you assume that, actually, the system as it worked in the past should just continue, but without Europe, but let us get on with it? Is that the best system, or have you really thought through all the other possibilities in terms of regional policy and what else is out there? Could we be asking for tax cuts on this or whatever? Is there a better way? How much thought have you given to: 'Let's now just throw the whole thing up and think again about how this could be done better'?

[62] **Mr Bale:** I don't think there's any doubt that this is, potentially, a really big opportunity for Wales to completely look at its regional policy again. About a year or so ago, I went out to the capital region in Denmark in Copenhagen, and met officials from the capital region there. It was very, very interesting, actually. They've actually developed a very robust structure of regions across the country now that bring together stakeholders that also receive European funding, ERDF funding, and they've been really able to show the added value that's come as a result of doing that. We, here, I think, have got an opportunity with the four economic regions that are developing across Wales, to put in place a structure now—a partnership structure—similar to their growth forums, that brings people together around economic strategy. So, in Denmark, they look at their economic strategy, they review that on an annual basis to see how well they perform against it, they've got trade union representatives on those forums, and they've got a range of other stakeholders that actually take responsibility and ownership for driving performance against that. They've also got clear indicators for particular projects, as well as a regional envelope of projects.

[63] I think the one thing that really struck me, and it's something that we need to be mindful here of in Wales, is that, if you are looking at economic benefits in one region, they can often overflow into a neighbouring region. So, how do you create the economic infrastructure now in Wales so that those partnerships across Wales are in place and easily identifiable, so that they're talking to one another, in effect, so you don't have Cardiff developing its growth partnership in isolation, Swansea bay city region developing something different, something in north Wales, and mid Wales developing separately? I think there's a really important piece of work here now in terms of putting those arrangements in place quickly, so that we've got that infrastructure in place, but also that those forums are able to talk to one another and also are aligned to some of the cross-border issues, so the capital region with Bristol, north Wales with Liverpool and Manchester. These are all issues that we need to really think about now in terms of structuring that regional agenda, going forward.

[64] **Mr Peppin:** Just to add on that, as well, I think—we had a report at the WLGA's co-ordinating committee the other Friday, and one of the issues we were discussing there was about devolution of funding control down to the regions. If you've got regional governance arrangements in place, devolving some of the funding down to those regions to deliver against their plans is, potentially, a preferable approach to having some sort of national programme that each region has then got to bid into or go through. As you say, we don't need to replicate the systems of the past. We can actually think about doing something quite different.

14:30

[65] **Eluned Morgan:** Can I ask you about the step before that, though? So, that's assuming that there will be money. Can we go to the UK level? So, the money's going to come back from Brussels, we assume, a little bit, after austerity and everything else has come through. To what extent do you think we should have a UK regional policy? Should we have a UK regional policy, or do you just think, 'Just give us the money and we'll sort it out'? Or do you think there's a danger, actually, as I do, in the long term, for the north-east to say, 'How did you get all that money?' Twenty years from now, nobody will remember Brexit. How would we justify the money that we may or may not get from CAP and structural funds 20 years from now, looking at it—? Is that the best approach to regional policy, or should we have an objective UK-based system where we may or may not comply, and can meet the standards that they're expecting?

[66] **Mr Peppin:** There are some things that are non-devolved, like competition policy, state aid, procurement, industrial strategy, where they will have a major impact on regional prospects, and therefore we've got to work with the UK Government—Welsh Government and local authorities—to ensure that what those UK-wide framework look like work for Wales, that they're not developed and then handed down. So, I think there's a role in terms of having an input into the way that those things are developed in the first place.

[67] But then I think there is the possibility of, actually, a block of funding being passed down that responds to the need of Wales. I think the reason why—. If it was just done on a Barnett basis, we wouldn't get the relative advantage that we've got as a result of the fact that European funding recognises the level of need, especially for some of the rural areas, which are heavily dependent on this funding. I think, if that funding is identified for regional policy purposes separate from the formula settlement, then we've got the ability to then look at allocating blocks of that money down to the regional partnerships, where we definitely need a joint Welsh Government and local authority regional governance arrangement, where they're working as a team. So, instead of having some sort of national programme that the regions then bid into, you actually look at the resources for each region and collectively work together on how can all of our resources be brought to bear to deliver what's needed in this region.

[68] **Eluned Morgan:** What if I'm sitting in the north-east of England and I say, 'Yes, regional policy—that's a great idea; we'll have a bit of that'. Are you happy with that?

[69] **Mr Peppin:** Well, I think that—

[70] **Eluned Morgan:** As an objective—because they will—. If you're saying there should be an objective assessment, at what level does that kick in? Is it England? Is it regions?

[71] **Mr Peppin:** I think that there will have to be a UK framework for that. There'll have to be a negotiated arrangement, where the current level of funding is looked at and then an allocation is made to Wales and to the regions of the UK that reflects—. So, you don't fall off a cliff edge with the funding that's been available.

[72] **Eluned Morgan:** But the north-east doesn't get anything like the money that Wales gets at the moment. So, isn't that potentially a danger for us?

[73] **Mr Bale:** Yes, and I think you've absolutely got to recognise the huge dependency that we've got here in Wales on that funding, and all four local government associations now are working closely together and meeting regularly with the UK Government so that we're aligned in what we're doing. I think it would be a mistake for us as local government associations if we weren't doing that.

[74] I think the other point that's really important is that you've got a consultation engagement around the UK's industrial strategy, how that will actually feed in. I know the Cabinet Secretary for the economy is looking very closely at the UK infrastructure commission and how that interacts with Wales's own commission. These are factors and resources that we need to draw on as part of a much broader strategy now for some big investment in infrastructure into Wales. My concern at the moment, as I alluded to earlier, is that we don't have a mature governance structure—a partnership structure—to bring different stakeholders together. We have an opportunity not only to put that in place now, but also, potentially—. If you take the Danish model, they have a national growth forum. Nominations are made from those regions, so there is a proper bottom-up approach that informs and interacts with national Government. That doesn't take place here at the moment, but there is a huge amount of potential to do that, as well as creating a much more robust evidence base in terms of our economic strategy. So, we engaged an independent commission to drive forward our strategy for the Cardiff capital region, chaired by Professor Greg Clark. The evolution of strategies in other parts of Wales has been slightly different. So, they have brought together their own strategies differently. And I think we need to recognise as well that, if we want that regional strategy to be in place, as well as it aligning with the national strategies of Welsh and UK Government, we need to be careful that we are pulling together the very best strategies as well across Wales, and that they're supported and monitored by a robust partnership arrangement in different parts of Wales.

[75] **Eluned Morgan:** So, can I come back to—? You mentioned there that you're working with English local authorities and trying to present a coherent case to the UK Government. Do you not see that there is potentially a problem in terms of asking for a UK objective-based regional policy, which would mean, potentially, that places like the north-east, and parts of the

north-west, may qualify for regional funding under a new UK model that they wouldn't qualify for under the EU rules, which would then have to potentially come from the Welsh pot?

[76] **Mr Bale:** It's very early days in terms of those meetings. I attended my first one with David Jones, I think a week or two ago, in Downing Street, with the other associations. It is really important that we are there, because those discussions could evolve very quickly. It's very clear to all of us now that, once article 50 is triggered, things will move very, very quickly indeed. There is a very clear statement, I think, from both local government and from Welsh Government that we would not want to see Wales worse off as a result of any future arrangements, and that's something I think we'll all be working very hard to ensure doesn't happen in any future regional policy arrangements.

[77] **Eluned Morgan:** But, potentially, if there is a situation where UK regional policy were developed, it could be damaging to Wales. Would you then as WLGA determine, 'Yes, actually, this is not good for us, we'll have go our own way, because, actually, we'd be better off without a UK regional policy'?

[78] **Mr Peppin:** I think that's one for the negotiations, really. We need to see what's on the table, and what's being discussed, and respond accordingly at the time. I wouldn't want to prejudge what our position would be on that, really. But I think you're right; I think you're right to raise the issue. There clearly is an issue there.

[79] **Jeremy Miles:** I've got a couple of other Members who want to come in on this. So, Steffan Lewis.

[80] **Steffan Lewis:** Thank you, Chair. Just to clarify, the Welsh Government/Plaid Cymru White Paper on exiting the EU is explicit in that economic development is devolved, and that there were commitments made to keep Wales's funding from the European Union—for that to be replaced in full as best as possible by the UK Government—but that regional policy, according to Welsh Government, should be administered here in Wales, and not be a UK policy that could detriment Welsh communities. That's the priority. I assume that you would agree with that basic—

[81] **Mr Peppin:** Yes.

[82] **Steffan Lewis:** That's good to hear. You mentioned earlier on that you

had issues with the potential of a national policy, and that there should be more of a regional approach. There are just two concerns I have about that. First of all, I listened to what you had to say earlier on, to Suzy Davies in particular, in terms of the need for a strategic approach. Welsh Government, probably, in terms of its capability and resources, is in a very good place to drive strategic national approaches if we want the next lot of regional policy to have transformative results. So, don't you think that there's a danger that, if we just subcontract the economic prospects to the regions, actually, we might end up going back to a situation where we lose sight of the bigger strategic objectives?

[83] **Mr Peppin:** I wasn't suggesting that it's just down to the regions to do what they want. You're absolutely right: the Welsh Government has to set that national strategic framework. We've got the Well-being of Future Generations (Wales) Act 2015, which provides a very good framework, and you've got the seven goals. And each region needs to show how it's going to contribute towards national goals. I know Welsh Government is working on its four strategies now—united and connected, and so on. Those need to give the lead to the work in the regions, but the regions can develop their ways of responding to those national targets. So, I think you do need a clear national Welsh framework, but the regions can then identify how they can support that framework. And, as I said earlier, it's not about just the local authorities in those regions working together, it's about the regions working with Welsh Government in the regions, with the private sector, with the voluntary sector, in those regions, to come up with an agreed way forward within that Wales-wide framework.

[84] **Mr Bale:** I think that's an important point, because you want those regions, and the actors within it, to drive that strategy forward, to take real ownership of that strategy, and to bring other people around the table. So, where I would agree is that there is a risk that if you've got individual regions acting without some national interface with the Welsh Government, then that could actually happen. But there's a potential to look at the council for economic renewal. How can you reform that into an arrangement where those regions actually appointed representatives up to interact with Welsh Government so that you avoid those types of risks?

[85] **Steffan Lewis:** And, of course, the national infrastructure commission is another body that, again, makes sense with regional collaboration, again, with a set national framework.

[86] Just another point. I have a great interest in regional co-operation and partnerships. One of my big concerns, though—and I think this may have been an issue with the European structural funding programmes—is that people are being forgotten, and what it is precisely, and how it is precisely that people and communities are engaged in the whole process. Big decisions are made on big sums of money that sound incredible, but then people become very cynical about the decision makers themselves, and, secondly, whether such huge sums of money are actually going to make any difference, because they've heard it all before—you know, that lives are going to change. And I fear that's something that could happen again in the future.

[87] With regional collaboration, in particular—we're talking big sums of money, big projects—how are they going to be accountable to the citizens? Because they're not directly elected. I've found out a great deal taking evidence on Assembly committees that I had no idea was happening, or had been happening, and that shadow cabinets had been brought together to discuss, and plans published. How are people, and citizens, going to be engaged and put at the centre of regional collaboration when there is no direct accountability?

[88] **Mr Bale:** In the Cardiff capital region, we've just signed our formal agreement at Cardiff Airport recently, and that takes us now into a formal joint committee status. So, you will start to see, I think—and it's important that you start to see—some openness around the decision making that councils and council leaders are taking. It is really, really important, though, when you look at the narrative around some of these arrangements, and these big sums of money, that you do connect with people. It has been a real challenge for us in the Cardiff capital region, when you're talking about innovation, when you're talking about digital and economy and skills: what does that actually mean to local communities and people when you're knocking doors and talking to residents in your communities? So, we do need to translate that.

[89] That's the learning and that's the point from the referendum back in last June, as the people were saying that they felt disconnected from bigger projects, national institutions and international institutions. So, we need to put in place mechanisms where those regional structures are engaging and are required to engage with communities. Because it is very, very confusing now; the whole point of regional working should be that we align and simplify regional governance so that it's much more effective.

[90] **Jeremy Miles:** Thank you. Suzy Davies.

[91] **Suzy Davies:** You covered two of my points in your answers to other questions. But I just wanted to press you a little bit further on boundaries. I mean, whatever your regions look like, there's going to be a boundary between one region and another. When it comes to the city deals, that boundary is slap-bang in the middle of my region. The two plans look pretty different to me. And I'm just wondering, looking ahead, who should take responsibility for making sure that those boundaries don't widen, if you like, that things like the city deal—or the mid and west Wales equivalents—don't end up looking inwards an awful lot, rather than outwards towards those boundaries. It's adding to your question, I think, Steffan, about: is that something that Welsh Government should have an overview of—or even UK Government, to go back to Eluned's point? Can you see what I'm trying to get at here? The buck stops somewhere, and I'm not really sure where it is, on what we've been hearing today. Only your views, obviously; no-one's committing you to—.

[92] **Mr Bale:** I certainly think that we are at a very early journey in the Cardiff capital region. We've done an awful lot in a very short period of time. What has been helpful in Wales is that we haven't had, for example, the requirement to look at things like regional elected mayors, which has been extremely contentious in England and has really caused some collaborations and regional working not to happen, or to happen not with every actor or council in an area.

[93] But, going forward, we're going to have to be alive to how we explain our city regional working in language that people understand, but also build real, stronger relationships of trust between different parts of Wales, so that we avoid some of the pitfalls of perhaps working within regions, and not working together. And I do think, if you look at the example in the Cardiff region, having a joint committee of local authority leaders—10 leaders around a table—but having a separate growth partnership that brings stakeholders, including local authorities, together around the table and that reports to them on their progress in investing for the future, on infrastructure or other projects, that is outward looking, that is talking about their region, not just on a UK basis but internationally, will be very helpful not just to that region but actually in terms of exchanging and learning with other regions within Wales and further afield.

14:45

[94] **Suzy Davies:** Okay, that's a great ambition, but if you're living in Llandrindod Wells that's got to turn into something people understand—not just looking at something like the Cardiff region but the region that Llandrindod itself is based in. There's potential for the north as well, but realistically, you're looking east into a completely different nation. So, how do you see those boundaries potentially looking? Again, it goes back to that question of where the final accountability sits. Does that suggest that that should be a UK regional policy or a nations-and-regions one or actually looking inwards again to these within-Wales regions? Where does the final seat of power lie in this? Who has the power to say 'no'? That's what it comes to.

[95] **Mr Peppin:** We've got four regional partnerships that cover the whole of Wales. So, within Llandrindod Wells, you'd be part of Growing Mid Wales.

[96] **Suzy Davies:** I just used that as a random example, obviously.

[97] **Mr Peppin:** Yes, but each part of Wales would be part of a partnership area and each of those partnerships is developing a plan of action for their region. As Councillor Bale said earlier, that issue of coming together of the four partnerships to look at how their plans are going to work together—that will help to show that this isn't just about a Growing Mid Wales partnership on its own, it's about how will what's going on to the south and north complement what they're doing in mid Wales and how does that add up together into—

[98] **Suzy Davies:** But my point is they're looking east as well.

[99] **Mr Peppin:** And east as well. I know the Growing Mid Wales partnership have had meetings with the Marches local enterprise partnership and they've had extensive discussions about transport links and so on. So, those dialogues are going on, but the key thing is to make those connections. I think in the past it has been just about the local patch. What we need to do now is get that sort of integration.

[100] It's always very useful to go back to the well-being of future generations Act, because it is a very good guide. It talks about integration, collaboration, long-term thinking, involvement and partnership. If you apply those five principles to the way we take regional development forward, then

you should actually deal with the sorts of issues you're raising. So, the involvement part of that way of working requires public bodies now to make sure they're involving local residents in the plans they're doing. The integration means that it shouldn't be Growing Mid Wales working alone, but Growing Mid Wales talking to the neighbouring areas. It should be a collaborative approach across mid Wales with all the different agencies involved, and it should be thinking long term about the area's future and what we need to prevent that will allow us to hit the long-term trends we need. I think if you use that as your guiding principles then it'll help to keep the four partnerships working together.

[101] **Mr Bale:** But also, for some of those cross-border issues, the arrangements that are in place are not governance heavy. I mean, the Great Western Cities partnership with Newport and with Bristol is a very flexible arrangement. There's no formal governance around it. But that was one of the concerns that I had fed back to me from the business community, for example—that people thought this was another committee arrangement or governance arrangement that was being set up. It potentially led to additional confusion.

[102] Actually, what it's done is it's provided us with a mechanism to go into UK Government and to lobby for investment in, for example, the rail connectivity between the three cities. If you'd done that individually, it would have been very difficult to have had the same impact. It's been very clear, certainly through our involvement in Cardiff, through Core Cities, that there is a very limited awareness and understanding of Welsh issues in Westminster.

[103] That's not a criticism of Government, but I've certainly been in meetings where there's been a presumption that issues that are not devolved are actually issues that should be done by the Welsh Government and, actually, that's why I'm going into UK Government to have that conversation. So, the more that we can engage actively with UK Government as well as Welsh Government, the better for us in terms of developing that wider economic strategy going forward.

[104] **Suzy Davies:** That was a helpful illustration, which is what I was after, so thank you.

[105] **Mr Peppin:** Can I mention one other thing just very quickly in terms of connecting with the people? I think a big change we've seen over recent

years is the growth of the use of social media. We do now have leaders who are actively involved in social media, putting messages out on a regular basis, keeping residents informed. I think that is another—it's not the only way, obviously, but it's another way in which local people can actually find out about some of the developments that are taking place in their area.

[106] **Jeremy Miles:** Dawn Bowden.

[107] **Dawn Bowden:** Thank you, Chair. I think most of the questions have actually already been covered in the very comprehensive responses you have been giving, particularly to Eluned. I just wondered if I could just take you back then briefly to future funding of an assumed regional policy. So, we would have a regional policy for Wales—and you've already talked in your evidence about no guaranteed funding beyond 2020. You'll know that the Welsh Government set out in its 'Securing Wales' Future' paper that we need to address the block funding grant in terms of its baseline to adapt to the value, actually, of the money that comes back. Can I just ask you to say a little bit more, because you did touch on it briefly, about your views on that and how you think that that may need to be taken forward—how that might need to be adjusted to make sure that we do have a properly funded regional policy?

[108] **Mr Peppin:** It's difficult to say at this stage because we're still finding out how this is all going to work. But we've got the dialogue going on with the other local government associations, we've got the dialogue with the UK Government and the Welsh Government and I think it's a question of constructively discussing how we can deal with the sorts of issues that you've just mentioned. How can we make sure that the funding is made accessible in a way that would deliver what the communities need? As Eluned said earlier, we need to actually forget the way we've done things in the past and not just start from, 'What did the old programmes look like and how can we sort of roll those forward?' I think we actually need to think quite differently about how we approach regional development.

[109] **Dawn Bowden:** But is there still a case for having formula-based initiatives, so that with the funding, we actually have a very transparent formula that identifies where the funding should go?

[110] **Mr Peppin:** I think there's probably going to have to be some sort of work done like that to identify, when the money comes back to the UK, how is it allocated out. That does need to be done on an objective basis, because

each area is going to want to know that it's getting, if you like, its fair share. Part of that process also needs to take account of the historic allocation of European funds, because that funding has been allocated for a reason. West Wales and the Valleys was below the 75 per cent GDP threshold—so, it's reflecting a relative need of those areas. We need to be careful we don't move towards some new formula that would disadvantage Wales and that will be part of the negotiation that needs to take place now. Obviously, every region and Wales will be looking to get the maximum from whatever money is made available at the UK level. But I think there is a case to be made that—you know, we've got some clear development plans. Had there been another programme, there's a strong chance that Wales would have received another tranche of European funding, even if it was only transitional funding. The question needs to be asked about whether other parts of England would have had that funding. In arriving at the allocations, we don't just want some sort of formula that allocates out to each of the English regions and to Wales. We need to actually build that in quite a sophisticated way that looks at the historic allocation of regional funding but also takes account of the relative need across England and Wales.

[111] **Mr Bale:** But also it's very important that when you've got a formula agreed and funding allocated that there is an alignment between the different economic strategies being pursued by both Governments. For example, we've got an enterprise zone established by Welsh Government in Cardiff on financial and professional services, and we've got a mayor in London that's arguing that London should have a special arrangement in terms of the financial service sector there as part of those negotiations, which would have an impact on the strategy that Welsh Government and Cardiff have adopted. It's the same for all of those enterprise zones across Wales. We've got to make sure that strategies that have been invested in by Welsh Government are not undermined by other initiatives that are coming out of UK Government. The drive towards an industrial strategy based on sectors, as opposed to the city deal structure where we've been very much looking at geography and place and driving improvements against an assurance framework with clear evidence based on value against investment on those projects, is another area where there could potentially be some tensions in Government policy going forward that we need to be alive to.

[112] **Dawn Bowden:** Chair, just one final question. We did have some evidence last week that was suggesting that we ought to perhaps look at indicators as well that go beyond economics if we're looking at the wider indicators for well-being in general. Have you got some thoughts on that?

[113] **Mr Bale:** I would absolutely support that. The growth commission report that we accepted the recommendations for in Cardiff indicated that, if you look at issues like air quality, for example, we find funding is allocated, often, on an English basis and a Welsh basis; they're separate, but those issues are not—you know, they cross borders very, very easily. So, we do need to look at those wider well-being objectives to make sure that we're capturing those and the legislation is now in place for us to do it, too.

[114] **Dawn Bowden:** Okay, thank you, Chair.

[115] **Jeremy Miles:** We're approaching the end of our session. I've got two Members who've indicated an interest in asking questions and I'd like to let them both ask questions, but can both questions and replies be brief, please? Steffan Lewis.

[116] **Steffan Lewis:** Thank you, Chair. Yes, you mentioned—you actually named one of the European regions that we have now, West Wales and the Valleys. One of the benefits of that entity, even though it makes little sense for anybody's sense of belonging—one of the things that does make sense is you get communities there with a comparable socioeconomic profile in terms of their relative poverty. My fear with the regional model, and the funding in particular, looking forward, is that a place like Blaenau Gwent, for example, that is, by comparison, poor, is in a, by comparison, fitting region—West Wales and the Valleys—now, but will be in the richest region in Wales based on the new regions. How are we going to ensure that communities like that are not cut off from the funding in the future if we are going to go down the regional route?

[117] **Mr Peppin:** I think the regional strategies are very alive to the areas within those regions that are of greatest need, but they're also alive to the areas of opportunity. I think what the strategy's trying to do is actually make those linkages—you know, that's education and skills, but it's also transport links, it's broadband links. It's trying to make the region work as a collective whole. I think, if we can align the resource behind those strategies, then those areas won't get left out because they are an integral part of what each region is trying to achieve.

[118] **Steffan Lewis:** Thank you.

[119] **Jeremy Miles:** Eluned Morgan.

[120] **Eluned Morgan:** We had some evidence last week from David Bell, who suggested that structural funds didn't offer the best use of scarce public resources and that his research suggested that only an educated workforce, basically, turns structural funds into growth. Have you considered being truly radical and saying, 'Do you know what? Let's just spend it on education—the whole lot.' I just wonder to what extent we are actually following evidence here and not just saying, 'Why are we just continuing with what we did before? The evidence is saying that we shouldn't do that.'

[121] **Mr Peppin:** I think if you look at the projects that are funded in the current programme, there is a huge amount that is going into education/skills-type projects. There are massive amounts going into apprenticeships, but there is a heavy emphasis on that end of it. I think the EU regional policy is widely seen as a good policy and, you know, it has moved away from infrastructure and investment more towards the sort of, you know, human skills and human capital. But I think, if you look at the strategies that have been put together for each of the regions in Wales, infrastructure is still needed. You know, there is still an identified need for—. If you're going to make those connections between areas of need and areas of opportunity, because of the legacy of what we've got in some of the regions, some of those communities do still need to have the physical connections to give people living in those areas the opportunity to benefit from the growth. So, I think there's a danger that if you just skill people up, then you skill people up to move out, and in the communities that are left, you then have bigger problems, and the cost of service delivery per head is higher, so it puts extra strain on the council resource. I think what the strategies are trying to do is keep communities alive, keep them supported, see new growth in those communities, new housing developments in areas by better infrastructure, so that the local shops, the local communities can actually sustain themselves. In terms of a long-term sustainable development plan, I think, at the moment, there is still a need for infrastructure investment to complement, as you say, the hugely important investment in human skills.

[122] **Mr Bale:** I think you're right to highlight—also we've seen American business people highlighting this in only the last day or two that the advancement of artificial intelligence, of robots—how do you tax that, almost, to invest or reinvest in skills, so that people are trained for the type of work skills that they're going to need for the future? We need to be alive to that. I think public service boards have got a role to play here in terms of

pulling together workforce strategies across their places so they can deal with that. I'd like to see, with the apprenticeship levy, much more of a recognition of the important role that can play in investing in our public sector workforce. We are contributing, as councils and other public bodies, into that levy and we need to see some of those proceeds going back into retraining those workforces for the future. It's my strong belief that public services—great public services—actually are really essential if you want to attract jobs and investment in other parts of the economy, too.

15:00

[123] I do want to pick up a point that was made earlier about the Cardiff region being the wealthiest in Wales. If you actually look at the data, only Sheffield was below us in terms of league tables, if you look outside of Wales. And I think, if we hadn't secured that city deal with the UK Government, we'd have fallen to the bottom of the league table in terms of productivity. So, we really need to work much harder as a region and as a country to make sure that we're benchmarking against others in the UK and internationally, because there's a danger that we look inwards, as others have talked about, and look at comparisons within regions, when we also need to be looking much more broadly internationally as well.

[124] **Mr Peppin:** The other thing I should have mentioned as well was the regional skills partnerships, which are now supporting the work of each of the regional partnerships, because they are looking at where the growth areas are, what the skills needs are for the future and how we can make sure that the investment goes into the needs of the future. So, in terms of putting money into education and skills, I think there is a much greater recognition now of the need to align that investment with the growth plans for the areas as well.

[125] **Jeremy Miles:** Thank you to you both for coming in and giving evidence this afternoon. You will receive a transcript of your evidence, so please do check that for any factual inaccuracies and let us know. Thanks for coming in. We're going to take a three-minute break.

*Gohiriwyd y cyfarfod rhwng 15:01 ac 15:07.
The meeting adjourned between 15:01 and 15:07.*

**Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn
Dystiolaeth 4
Inquiry into Regional Policy—What Next for Wales?—Evidence Session 4**

[126] **Jeremy Miles:** Thank you very much for coming in to give evidence to us this afternoon. Members have got a range of questions for you, but can I ask you first to introduce yourselves?

[127] **Mr Fiander:** My name is Phil Fiander. I'm director of operations and business development within the Wales Council for Voluntary Action. I have responsibility for the majority of grad programmes and training programmes that WCVA does—including the European ones, and what have you.

[128] **Jeremy Miles:** Thank you.

[129] **Mr Richard Morgan:** I'm Richard Morgan. I'm funding director at Valleys Kids. You may ask what that means—it depends on who you are. If you know about finance, I say I am responsible for fundraising. If they ask about finance, I say, 'Oh, no'. If they ask about fundraising I say, 'Oh, I'm just responsible for finance.' So, I'm a jack of all trades.

[130] **Ms Downing:** My name's Janine Downing. I'm the manager of the third sector European team at WCVA, so my project provides technical assistance to the third sector in accessing the current European social fund and the European regional development fund programmes.

[131] **Jeremy Miles:** Thank you. We've got a range of questions. You shouldn't all feel that you have to answer each one, although, obviously, if you each have a view on each one, we'll be glad to hear it. I'll start by asking about article 50 negotiations. Do you have a view as to whether the conduct, or the objectives, of the article 50 negotiations might have an impact on structural fund allocations in Wales?

[132] **Mr Fiander:** 'Yes' is the simple answer to that. We've actually just conducted a survey, which we're going to be releasing in the next week, where we've actually had the response of about 350 different organisations, and there's a real concern about article 50, and the future of what happens with structural funds and what have you is really at the forefront of a lot of organisations' minds. There is still an awful lot of uncertainty, a lot of potential apathy to the current programme as well—because they don't

necessarily want to get too involved, because they're afraid of the risks, even though the Treasury have issued a guarantee. There is still an apathy there that, 'Actually, we don't want to get involved at this present moment until we know what the future holds.' And I think there is a real issue for third sector organisations at this present moment around waiting for what unveils with article 50.

[133] **Jeremy Miles:** And do you have a view about what you would like to see, in terms of programme end-date eligibility, in terms of any specific clarity that you might be looking for around that?

[134] **Mr Fiander:** At the moment, with the funds that we're operating, we are working with the Welsh European Funding Office to extend our programmes until 2020, with the Treasury guarantee, so that will provide some comfort. But I think what people are concerned about is the discussions that need to take place between now and, potentially, 2019, when the two years of the article 50 comes to an end, and then the discussions about what follows on from 2020. I think at this present moment, no-one knows. Therefore, are we going to have programmes? What are we signing up to? What happens to those programmes? Some of the programmes that are happening in the Valleys with young people, with the most disaffected people, what happens beyond that? How do you invest in the future?

[135] **Jeremy Miles:** Okay.

[136] **Ms Downing:** I was just going to add to that: I think there is some fear around the loss of momentum on the current programmes. So, if there becomes a gap between the end of the current programmes and whatever comes next, and what that loss in momentum can actually do. We've seen it in the current programmes slightly, because some momentum was lost last year between the Assembly elections and then the European referendum, and that has had a knock-on effect on projects. So, obviously, there's a lot of expertise, a lot of knowledge in the sector and there's a worry that that will be lost if there is a gap between when this ends and whatever comes next. So, I think people are keen to get on with finding out what is going to come next so that we can start planning for that.

[137] **Jeremy Miles:** Suzy Davies.

[138] **Suzy Davies:** Thank you. Can I just clarify something? One of you

mentioned the UK Government's guarantee, but also that there might be a level of concern about what happens next. When you're talking about what happens next, does that include 2019 to 2020, or are you thinking, 'Right, well, you know, that's a particular set of circumstances, at some point we'll be over that'? Is it the longer view that's more of a concern, or that particular financial year?

[139] **Mr Fiander:** I think it's the longer view because, like I say, we are getting the message out that these programmes we currently have are running until 2020, you know, 'Get out there, work, use the money, show the benefit of it.' But I think where the problem lies is that if you talk about momentum, you're starting projects now, you know, in two or three years' time you don't know—there's too much uncertainty. That, matched with other stuff that's going on in Wales, such as the Minister announcing that they're minded to remove Communities First—those sorts of things—is just creating that overall uncertainty on the ground for groups.

[140] **Suzy Davies:** Okay, I accept that. We've already heard some evidence, though, that business as usual, the kind of work that's already being done, or the structures of it anyway, isn't necessarily the best way forward. I'm not talking about you as individual companies at all, but it has not been transformational and it has not necessarily been considered a resounding success, the way that regional development funding has been used up until now. I'm just wondering if you can give us some sense of the experience that you've had with WEFO, whether it's felt itself hamstrung in helping you, and whether the European Commission is being too prescriptive and that there are opportunities for you to be more involved in designing how funding might be spent in the future, without going into details about what the future might look like. Just give us what it looks like now and the pros and cons of it.

[141] **Mr Fiander:** Okay. I think there is an element of truth in the fact that it's become quite bureaucratic, and to some groups quite burdensome. But I think some of that is myth as opposed to actuality. They genuinely do, because we spend a lot of time working with groups. WEFO themselves have been very helpful in trying to engage groups. I think there is a need also to review what works and what doesn't. I'm not one that's professing that everything should carry on as per normal. I think this is the opportunity to start a dialogue, to actually work out what does work and how it all fits together, because I think—and I think Richard will emphasise this in a minute—that what we've lost are some of the partnership principles, that

because we've gone bigger we've gone strategic. What we've actually done is disenfranchise some of the very people that we're trying to help, because they're no longer involved in that process. So, I think there is scope and I think we do need to do some work about redesigning them, but it's not throwing the baby out with the bath water. So, there are some good elements but there are some elements where—

[142] **Suzy Davies:** And you say WEFO has helped you negotiate that.

[143] **Mr Fiander:** WEFO has helped. I can only speak from our perspective—

[144] **Suzy Davies:** Yes. That's what we want, yes.

[145] **Mr Fiander:** They certainly have understood the role that we play in engaging with the third sector, and they've wanted to engage with the third sector and recognised the role that the third sector can play in engaging with those most disaffected, most disadvantaged people. So, they've always been trying to help, but sometimes I think that they're potentially hindered by—.

[146] **Suzy Davies:** But in raising your eyes to be a little bit more strategic, looking around, that very localised functionality has started to be threatened, has it? Would that be—?

[147] **Mr Fiander:** I would say so.

15:15

[148] **Mr Richard Morgan:** I think it's not 'started to be threatened', I think it's—. With the existing—. I can say things that perhaps Phil doesn't agree with. It seems to me that European funding is aimed at the relief of poverty. It's aimed at the poorest in Wales. That's the reason we get it. As an organisation, we were actively involved at the beginning, when we drew down substantial amounts of money and transformed our organisation. With something like £4 million, as an organisation, we built buildings and we set up projects in the most disadvantaged areas, and that was replicated across Wales.

[149] When we came to the second programme, I think, not for policy levels but for bureaucratic levels, the number of organisations that could apply was reduced. So, you had large organisations and large bids. Effectively, if it wasn't for the WCVA, we wouldn't have been able to access any funds at all.

We're talking about, I don't know, about seven years ago. In the later scheme, we hadn't accessed any funds at all because the bureaucracy had become even greater.

[150] So, I suppose that my plea for when you are doing it—when it's Wales that's doing it—is that (a) it's less bureaucratic, but (b) that it's local. We can't do things to people. We have to do things with people. If people in communities are going to change, they have to change themselves. We can help them do it, and European funding has undoubtedly had tremendous success in doing that, but as a small, local organisation, it's got more and more bureaucratic, more and more 'big is beautiful'. The excruciating bureaucracy in accessing it has meant that it became outside even organisations of our size.

[151] **Suzy Davies:** Okay. And then you get mission slip then as well, do you, or have you been—?

[152] **Mr Richard Morgan:** I'm not sure. I think the mission is still there, isn't it? They still want to do it. We still all want to reduce poverty. We're still trying to find a way of doing that. My plea is that you have to do it locally. You have to do it with people. You have to do what people tell you they want. You have to be innovative as well because people will say, you know, 'I want a swimming pool' or 'I want a paddling pool'; so, there has to be that access. It's great to have access to Europe, but you have to do it with people, take them with you and motivate them to change.

[153] **Jeremy Miles:** We're going to come on to some specific questions on that in a moment.

[154] **Suzy Davies:** I just wondered whether you had anything quickly to add before—.

[155] **Mr Fiander:** No.

[156] **Suzy Davies:** Okay. That's brilliant. Thank you, Chair.

[157] **Jeremy Miles:** Thank you. Michelle Brown.

[158] **Michelle Brown:** Thank you, Chair. As Suzy's said, we've had a number of witnesses who have called into question the effectiveness of European funding. Given that we have an opportunity now to have a complete rethink,

are there any ways in which you would redirect the funding? Do you think there are ways that it could be spent better or more cleverly?

[159] **Mr Richard Morgan:** I'm a vested interest, right? I'm a small voluntary organisation, but I genuinely believe it's more effective if you do it—. It is difficult, yes. That's not making it easy, but it's asking people what they want. It's looking at what they need because there's a lot of coincidence in those things, but it's listening to what they want to do. I think, not just with European funding but across the board, what we tend to do is listen to people, and then we give them what we think they need rather than what they asked for in the first place or what works best.

[160] **Mr Fiander:** From my point of view—and I've heard the arguments about transformation, and they tend to come from higher education, those sorts of sites and what have you—I think, very often, it's about reaching the balance between, 'Yes, we need to invest in those sorts of activities', but we also need to remember the very people who are being left behind. The real danger of making massive transformational change with universities and things like that is that you will leave those most disadvantaged people behind. In a way, the referendum vote was those people saying, 'Actually, it doesn't matter to us. You've invested all this money, but, actually, we're not getting or seeing the benefit,' although people will stand up and say they are. So, I think it's about that balance, and I think it is about engaging with people and finding out how they work with it. I think part of that is that we've lost some of the partnership principles that we had, perhaps, in the earlier programmes.

[161] **Michelle Brown:** Another comment that was made earlier on today was that the current system tends to lead to chasing the money rather than to finding the project, justifying it and applying for the money to fund it. What's your view of that?

[162] **Mr Fiander:** To a certain degree, I would agree with that. I think the one advantage that potentially prevents that is the fact that you've got a longer term strategy, and I suppose, what I would also like to see in anything new is actually a longer term strategy, so we don't actually sit down and say, 'This is three years, and then we're going to rip it up and start again.' I think that's the big danger. We need to have a strategy that says, 'This is seven or 10 years' time', so that everybody knows, and we have a dialogue. While I remember the foundation of the structural funds and the dialogue that went on, we haven't had that big dialogue since that day, and it would be useful, I

think, now, to have that big dialogue to actually say what works, what doesn't and what have you.

[163] **Jeremy Miles:** Eluned Morgan.

[164] **Eluned Morgan:** Well, I just wanted to come back to you on that point of listening to local people. I remember going to visit a project—I think it was somewhere in your patch, actually—where they'd asked local people what they wanted, and they all said what they wanted was to build walls around their houses and that's what it was spent on. I can't tell you how angry I was about it, because I thought it was a complete waste of money. So, there's got to be a time where you actually say, 'You know what? That's not what we meant. That's not good for the community, that's not good for productivity.' So, when are those lines? At what point do we say—

[165] **Mr Richard Morgan:** It's a dialogue. You have to engage with people. You have to ask them what they want, and they may come up with things that, objectively, are not a good idea. So it's then a case of either convincing them, or talking to them, or giving them counter arguments. There's a danger that what happens—what I perceive—is that it's become more and more prescriptive. More and more from the top down of what people believe works. But unless you ask the people, 'Is this working for you? Is this what you want?'—. In your example of walls around houses, manifestly that's not a good thing for the community, it's not a good thing for the neighbourhood, but unless you engage and talk to people about what their outcome is, why do they want the walls, why do they want those things, what is the problem that that is, for them, solving, then you tend to do it in isolation, and I think that's the danger. And this is a great opportunity. This is an opportunity to—. Phil's mentioned the thirds principle when we started out. I remember, we used to have meetings where, for the first time as a small, local organisation, we were obliged, we had to go to the meetings that decided on what was going to happen, because that's how European funding was set up, and it was great. It was time consuming; it was frustrating for the local authority, I'm sure; it was frustrating for WEFO. Once you start talking to people at a local level about walls around their streets, it becomes even more time consuming, but it saves money. It saves money in the long term.

[166] **Jeremy Miles:** Do you want to continue with the line of question about the future approach?

[167] **Eluned Morgan:** Yes. If you don't mind, I'm just wondering—. I'm very

concerned that a lot of people in Wales—it sounds like, including yourselves—are just assuming that this is going to roll on very nicely and that we’re just going to kind of have this money, and we won’t stop to think about the opportunities to really think again about how this can work.

[168] First of all, can I ask you about whether you think we should have a regional policy in the UK? So, what the Welsh Government is saying at the moment is, ‘Just give us some money, thank you. The money that came from Brussels before, we’ll just have that in Wales and we’ll sort it out.’ Do you think that we should actually think about having a regional policy for the UK that is determined on an objective basis, which effectively is the way that the European Commission does it now, if you’re under a certain percentage of GDP, or do you think that Wales might be in a position where we would lose out in those circumstances?

[169] **Mr Fiander:** I think there should be a UK regional policy because each region has its own issues and I think there needs to be a dialogue at a UK level. Because I think the expectations and, you know, if we’re talking about keeping the UK together, then those things—. So, I think, at a Westminster level, there has to be a UK regional policy. But I also think that once that is done, if you take the continuation of the Brussels model, yes, the regional policy potentially allocates money, but then there’s a dialogue about what that money does within those regions.

[170] The more I think about this now, I think what we need to have—there’s an opportunity here—if there is money to be continued, and we’re certainly taking it for granted that there is, but if there is, let’s have another open dialogue with everyone and go back to some of the grass-roots stuff of finding out what we want. Because, I think, if we assume that we just continue, and what have you, then, we’re going to create our own problems. Tinkering around the edges, potentially, will create imbalances, so, actually, let’s use the opportunity to have a really sensible dialogue about what’s right and what’s needed for Wales. I include everybody in that, including the communities, including higher education and all stakeholders, so that at least then we can come up with a sensible plan that starts to pull that together and then look at what we’re doing and how we can use that money as glue for stuff that we’re already doing. I think that, to me, is the benefit of the opportunity that we have now. And I’m not taking anything for granted, because, beyond 2020, who knows?

[171] **Eluned Morgan:** The WCVA has got a very good track record, I think, in

terms of empowering people and bringing people along, but, going back to this point of 'let's allow them to decide', part of the issue about empowering people is that, sometimes, you actually create a dependency culture, ironically. And it's quite interesting—I've been speaking to a lot of groups who're now saying, 'Where's our funding coming from?' and part of me thinks, 'You've had 20 years to empower this group; by now they should be empowered and they should be standing on their own two feet'. Otherwise, you create a dependency culture. I just wonder to what extent you think that is fair.

[172] **Mr Fiander:** Yes, there is always that danger, but we've always tried to recognise that European funding is short term and that they need to be thinking about sustainable—. But what I would say is that the circumstances for groups and the survival of those groups is becoming more and more difficult, so the dependency is being created by all the things that are going on around. I'm not sure you would say—.

[173] **Mr Richard Morgan:** I don't know what the percentage is that is actually spent in the communities that are experiencing the disadvantage. You know, we mentioned earlier the amount of money that you yourselves spend, that Jobcentre Plus spends, that universities spend. I don't know, if I'm honest—. Well, if I'm honest, I think, certainly, communities don't feel that that money reaches them, so they don't feel any dependency on it whatsoever. We work at the top of the Rhondda—there's a community centre, and they feel dependent on that, they want it there. What they'll say to me and what they said last week is, 'It's the only thing left; the baths are closed, this is closed, that's closed. You're the only thing that's left'. And it's a dependency culture—yes, we depend, not on European funding now, because we gave up on that. But that's not a dependency culture; that's the most disadvantaged having services that they deserve.

[174] I think it's true to say that we probably spend more on universities than we do in disadvantaged areas. And, yes, I can see the arguments for that, but all that does is extend the inequality, because the people who go to university will succeed and will get a good job, but the people who are left behind—and they're not left behind because they're in a dependency culture—are left behind because they're poor, because they're usually single parents with kids and so they can't get a job and they need support and they need something to do on that day. It isn't a dependency culture; it's what anti-poverty programmes—. I would hope what you would take the opportunity to do is spend the money with them in their communities.

[175] **Eluned Morgan:** So, how radical can we be then, Richard?

[176] **Mr Richard Morgan:** Sorry?

[177] **Eluned Morgan:** How radical can we be? For example, we heard from somebody last week suggesting that, actually, part of the problem is education and the quality of education and skills. What if we just said to all those people in your community, 'Let's cut everyone out; we're going to give you £2,000 each to spend on training in a kind of token'? That's direct help. Would that be—? How radical can we be? Why are we thinking in the same way?

[178] **Mr Richard Morgan:** Let's try. I don't know whether that would work, but let's give that a go. Let's say to people, 'What do you want?'

[179] **Eluned Morgan:** Yes.

[180] **Mr Richard Morgan:** If I asked the kids, right, and some of them—. I've been doing this for 45 years. I've been doing it in the Rhondda for nearly 40 years. And I have people who are poorer now than ever I have experienced before. There are kids coming to us who have holes in their shoes. I haven't experienced that since the 1980s, because of the benefits system we have.

15:30

[181] So, I think Wales is small enough and, hopefully, brave enough to try different things, to be experimental. To be fair, that's what happened at the beginning of European funding. When nobody knew what we were going to do with this money and it was open to smaller organisations, they said, 'Well, what do you want to do? What do you want to do?' You had to come up with ideas. That, to a large extent, is gone. It's, 'What are the ideas that you could do with what we want you to do?'

[182] **Jeremy Miles:** We're touching on the area funding, which is—

[183] **Eluned Morgan:** Sorry.

[184] **Jeremy Miles:**—which is great. Dawn Bowden.

[185] **Dawn Bowden:** Thank you, Chair. I'm really very interested in that,

actually, because what you're also talking about is developing a kind of place-based approach to some of the financing as well, so that we're not just talking about economic outcomes; we're talking about all the well-being outcomes. So, can you just expand a little bit more on that, because I think that's—?

[186] **Mr Richard Morgan:** I suppose, if I take a family in one of our communities—they are connected, they know everybody. They know the policeman, they know the teacher, or they may not know the teachers too well, but they'll know the policeman, they'll know the teacher, they'll know the social worker—they link it all up. They work as an entity and they know them all. They probably have to go and talk to them all individually. Agencies are not so good at knowing what is happening together or what is—. So, again, my plea and my vision of the future is that you do it at a local level; you involve people in what they're doing. You involve people in all—.

[187] Take, for instance, health. What we want are less obese, healthy communities. How do you do that? You convince people to change the way they eat, to exercise more, or, in my opinion, to play more if they're a young kid. If it's a teenager, you talk to them, you involve them, you offer them advice and you offer them opportunity, but you do that at a local level, because we live our lives at a local, community level, and that's the way I hope—. I think you do need the metro, you need interconnection and you need what you do, but you can't do it to people; you have to get that vibrant community going.

[188] **Mr Fiander:** I think that's where the third sector can come in and support some of the bigger things, make that glue and get those engagements. I think, certainly the work that we're trying to do—we're working with Government departments that are running European projects and trying to make the links so that if a group is working where Richard's working, working with the most disadvantaged and the furthest from the labour market, it's not what they're necessarily doing as an activity, but what happens to those individuals when they start to work with them. So, they start to introduce them to Jobcentre Plus, they start to introduce them to those things. So, you start to make that journey for them, because most of those people spend most of their lives avoiding those sorts of institutions because of the very nature of the benefits system. To them, they're an anathema; you don't go to them. They are there—

[189] **Mr Richard Morgan:** There's a terrible irony if you're a family in need—

you don't want to go to the police, certainly; you don't want to go to the jobcentre; and you don't want to go to social services because they'll take your kids away. Where do you go? Where do you go? Who helps you?

[190] **Mr Fiander:** For me, this is why I go back to having this dialogue, because we do need to start putting some of that glue together, because you've got the big strategic bids and you've got the big strategic projects, but it's how you make the links then to local activity. I think some of the bigger projects are worth while and they do work, but they're missing the front stage, they're missing the glue, if you like, that actually makes—

[191] **Dawn Bowden:** It all needs to be a bit more joined up.

[192] **Mr Fiander:** Yes, and that's where the dialogue comes into it. This is why I keep saying that we've got an opportunity now to go back to when, as Richard said—1999, I can remember there was dialogue. Everyone was talking to everyone about what could be done with this thing. The hype oversold it, but the point being, at that time everyone was talking about, 'How do we join up? What do we do with this and how do we—?' We've lost that, and I think we've got to come back to that and rebuild that partnership that everybody owned. I think that's what's missing now, and we can deliver big projects.

[193] **Dawn Bowden:** Can I just come back then to the funding, because, ultimately, everything you're talking about is going to be dependent on future funding? When we look forward, you've already talked about—obviously, we know we've got no guaranteed funding beyond 2020, so you're working with what you've got now, but we've got a look at what happens beyond that. Welsh Government have said that they believe that the baseline for the funding formula needs to change if we are going to benefit from the money that's repatriated, if you like. So, it can't be a pound for a pound; there's got to be some kind of additionality added to that, I guess. Have you got any thoughts and views on that? Do you agree with that position that Welsh Government's taken? Have you got any thoughts?

[194] **Mr Fiander:** Certainly, from the discussions that we've had, I think, yes, there has to be additionality. There has to be a contribution. We've done a lot of work with groups where actually you use volunteer time as match funding for European projects, and that's something Wales has always done, and not many other member states or communities across Europe have ever done this, but Wales has always managed. So, I do think that there are

opportunities there to be quite innovative in the way that you match it. It's not about purely cash. It is about that. I think there is an issue, particularly at Westminster level, around how that money is potentially—there's an argument that Wales needs to have with Westminster around the percentage of distribution, because I think if it's done on the Barnett formula, potentially Wales loses out 4 or 5 per cent, if I'm correct in my maths.

[195] **Mr Richard Morgan:** It basically means that it halves the amount of money that they put in, doesn't it?

[196] **Mr Fiander:** It halves the amount of money, so there's a big discussion there. I also think we are working with groups around trying to make sure that they have longer term sustainability. So, some of the work we're doing around loans—we've converted some of the European money into loan schemes. We have a community loan scheme, which is actually working with social enterprises, and that's recycling European money. We've had that pot since 2007, and that's topping up and continually recycling that money. Now, as far as I know, there aren't many other schemes at a community level that are doing that sort of thing, and those are the sorts of innovations that we need to introduce. We are also working with groups under the current programme about repayable grants, so that if they underperform, or whatever, then they end up having to repay an element of the grant. It isn't just money for the sake of doing the same old thing. It actually gets people engaged in what we want to achieve. Those are the sorts of innovations that we can bring into this in this dialogue. This isn't just about saying, 'Here's £1, go off and do this'. This is, 'If I give you £1, if you only get 80 per cent of that stuff, I want 20 per cent of it back'.

[197] **Dawn Bowden:** But, with the European funding, there are very objective criteria, aren't there, about how and where money goes?

[198] **Mr Fiander:** Well, we can have similar sort of criteria.

[199] **Dawn Bowden:** That was the point I was going to make.

[200] **Mr Fiander:** I don't see any reason why there can't be that discussion. But we can also be innovative in the way we do that. It isn't about cash. It can be time, it can be all sorts of things. I think that's the bit—as I said, I go back to this dialogue and if, in that dialogue, we can actually say, 'Well, look, we can do it this way'. Let's be innovative, you know.

[201] **Mr Richard Morgan:** Let's take risks. That's the challenge—to take the risks and fail. You listen to these international businessmen and they say, 'This is the important thing—it's failing that is the important thing, because that's where you learn', and I think we are risk averse. Wales has the opportunity to try to do things. It's small enough to know, to learn from each other, to learn what's happening in Bethesda or whatever and say, 'Oh, that's working'. Or if it's not working, that's fine as well.

[202] **Mr Fiander:** But know why it's not working.

[203] **Mr Richard Morgan:** Yes.

[204] **Jeremy Miles:** Suzy Davies.

[205] **Suzy Davies:** Thank you, Chair. Listening to this evidence, I'm having to change my questions slightly, because you haven't answered it all. It's kind of about legacy, I think. I completely buy what you say, particularly Richard, about things being designed from the bottom, otherwise, if they're designed from the top, they're not necessarily going to work. But if you're spending big wedges of public money, you've got to have some accountability for that somewhere. So, I suppose what I'm asking you is this: when I first heard about Valleys Kids and you were in that first tranche and you were getting quite a lot of money, it was very impressive, because it was used less about stuff and more about building confidence and resilience with individuals within that community. Ten years on, we've got a different funding regime. Can you give us an indication, of those young people 10 years ago, how they're helping the community now, and how that sort of thing should be helping to design how money is spent rather than these big strategic regional overviews? How can you marry them together? Is it a pipe dream, and so that's why we have to look at things differently, like Eluned says?

[206] **Mr Richard Morgan:** If I go back to the Objective 1 money we had—

[207] **Suzy Davies:** I'm sorry to use you as the example, but you are in front of us.

[208] **Mr Richard Morgan:** That's why I'm here I suppose. So, we employ something like, now, 45 people, which is a substantial increase to what it was in 2004, something like that, when we embarked on this—2002, when we embarked on this. A third of those started as volunteers, and a lot of

them would have started at that point in time. Some of them started before. So, a third of the people we employ. And they were unqualified volunteers at that point; now they're all qualified to degree level. That's, I believe, what you can achieve, and I don't think that's unique to us. I think there are community organisations all over Wales doing that same thing. Somebody will come along to us because they've got kids and they're driving them up the wall, as they drive us all up the wall in the summer. They want to get out, so they go to the play scheme, and you say, 'Oh, come and help behind the—', and so they'll—. So, anyway, I'd go on and on. So, yes, there have people who've been involved, there are people whose lives have been transformed, there are communities that have changed, absolutely changed, in that period of time. That was down to European and Communities First funding over time, absolutely. And saved large amounts of money; we did a—

[209] **Suzy Davies:** Sorry, I saw that myself. What I'm asking is: what influence have those people had, 10 years on, on the new youngsters coming in?

[210] **Mr Richard Morgan:** They become examples of what's possible. If you say, 'Oh, there's, there's'—I won't give you their real names—'there's Ben', or whatever his name was, 'He used to be terrible and look at him now—he's a youth worker; he's working with me'. They've been there. Those are the examples, because what we're talking about is cultural change. We're talking about a community that sees itself differently, that says, 'Well, I can change; I can be different', and having role models that are not like me—I come from Mountain Ash, mind; that's foreign. If you're in the Rhondda, Mountain Ash is foreign; I come over the hill—two hills. And so if it's people they knew when they grew up and they knew were as bad as they were when they were young, and they've changed, then it's a cultural change in the mentality, which is what—. And I can take you to areas where that has obviously happened.

[211] **Suzy Davies:** So, I suppose my question is: why isn't that everywhere, because you've spent a lot of money in these last 18 years? You're a very good example, but it hasn't been seen everywhere. So, in designing whatever the future looks like—.

[212] **Mr Richard Morgan:** I don't know that that's true. I think it can be seen everywhere across Wales where European funding has gone to local people and they've thrived. I know that there are lots of other places in Rhondda Cynon Taf, which I'm aware of, and in Merthyr; there are places. I think that

what has happened is that our experience is that the funding has become narrower and has gone elsewhere, and so you are going to—. I mean—

[213] **Suzy Davies:** It's been spent in a different place in hierarchies, if I can put it like that. Okay, that's—

[214] **Ms Downing:** I think there's a slight issue here that we're not so good at showing those examples. There's a disconnect in how we communicate those examples. I'm from the opposite end—so, I'm from up in north Wales—and I see those examples all the time in Rhyl, in Colwyn Bay, in Llandudno, but I don't think we were as good at showing those examples.

[215] **Suzy Davies:** Okay, I'll take that. Okay, thanks; I don't want to take any more time. Thanks. Thank you for your answers.

[216] **Jeremy Miles:** Mark Isherwood.

[217] **Mark Isherwood:** Thank you and good afternoon. Apologies for my lateness; unfortunately, the trains below Shrewsbury were all cancelled because the train hit somebody, so we were rerouted via Birmingham and Bristol. You've already explained effectively why, unless you build a wall from under the ground up, that wall's not going to stand, and the need, from your experience, to design systems backwards and turn the power thing upside down, which is a nice way of putting it. And you also explained what we should seek to avoid replicating in future programmes that are explicit in the current programme delivery. Is there anything in the current EU regional policy model applying in Wales that you would seek to retain and, if so, what?

[218] **Mr Fiander:** I think there are—. One of the advantages of the current model is that, at least with a smaller number of projects, there is more dialogue. So, I think I would want to keep the dialogue, and I go back to this because I think that's the key. We have been guilty of not necessarily joining up, even though we've got bigger projects. But there is some work going on, and the seeds of it are there, and I'd like to see that really expanding, because I think that's where it lies.

15:45

[219] I think some of the larger strategic projects do not necessarily want to have a dialogue. They will go off and do what they want and then they say, 'Oh, you're running along here' and 'Will you come and talk to us?', whereas

it actually should be as a course. With the projects we run, we actually encourage the regional partnerships to be involved, we encourage as many people to be involved, so that, when we're actually awarding projects and that, they're made aware of what activity—. Because, very often, we go to some of the larger projects and say, 'Did you know this is going on in your area where you're delivering this and this could support this?', and they don't, and yet they've had the information. It's all that disconnect between what's happening on the ground and what's happening at the strategic level.

[220] **Mark Isherwood:** How do you reconcile it with your earlier comments that we've lost the partnership principles that we had in the earlier programmes and now need that big dialogue on what works and what doesn't, and recognising in that dialogue that we're starting with people and communities, not with the power brokers?

[221] **Mr Fiander:** I think we do need to go back to basics. So, at the moment, there are sufficient projects to have a dialogue, but it's not necessarily then translated down to the very people we're trying to engage with and work with. And, very often, I will talk to projects, Jobcentre Plus projects, that have advisers in the local community and they're not aware, and we try and open up dialogue about what activity we're supporting to see how they can support. But, very often, the messages are not necessarily getting down to the ground, on the ground, to some of the things. So, strategically, I think there's a willingness at that level to talk, but it's not necessarily translated down to actually the guy that's in the office, or woman that's in the office, dealing with individuals as they go through. They're not necessarily then aware of what other activity to join up, or to go and talk to Richard because he's doing so and so and so, or I'll refer them to him. And I suppose the bit I want to get rid of is this targets and protection, because I think there's an element of 'my targets', and driven, and 'I can't let them go', and you almost forget that you're talking about a person—you talk about a target and 'I can claim my output, and I shouldn't let anyone else have that output'. So, that's the bit I would really—.

[222] **Mark Isherwood:** Do you wish to add to that or can I—?

[223] **Mr Richard Morgan:** I think I'd just reiterate that's it's the focus on purpose rather than outcomes is what you're trying to achieve—you measure things by, 'This is what you're trying to achieve; are you achieving it?' We overcomplicate it by having all these outcomes, and we measure by outcomes. But, basically, you're asking the people on the ground, 'Is this

working for you?’ And I suppose the European funding has lost some of that principle of partnership, and because that was imposed—the third, a third, a third was imposed—you had to do that. So, if you were a local authority, you had to engage with the third sector, and they had to engage with the private sector, and it was more difficult to engage with the private sector. Initially, it wasn’t. They all came along and they said, ‘Yes, we’ve got these ideas, we want to do these things’ and then they said, ‘Oh, no, it’s just boring meetings with—.’ And so, I think, going back to those principles of people doing things together would be great.

[224] **Mark Isherwood:** And, finally, looking at global experience, is there any global best practice that Wales should be considering to move forward? I’m conscious that the WCVA has produced a series of evidence-based papers on how we should go forward over many years, as has the Bevan Foundation, particularly in the context of what’s happening with Communities First, as we go forward. And now we’ve got the work of Edgar Carn in America, going back over half a century. We’ve got the developments in Australia, Denmark too, Malaysia, and globally, and I know that you are a partner in the co-production network for Wales, with Cartrefi Cymru and Co-production Wales. How could we embrace that initiative to address and join up with the things we’re talking about today?

[225] **Mr Richard Morgan:** Build it into the programme then, because that’s a role for strategic thinking, isn’t it? If you take Edgar Carn, if you take time banking, if you build it in strategically into the programme, and there’s an expectation that people involve people and reward people—. Because we’ve always had a big argument with time banking; people say, ‘Oh, you shouldn’t reward—voluntary is just something people do.’ What that does is it engages far more people, people who wouldn’t think of, necessarily, voluntary—‘I’ll get in as part of that’—and then the process has a transformation on their lives. So, yes, put that in at a strategic level, and expect it to happen throughout Wales.

[226] **Mr Fiander:** I go back again to—I sound like a broken record—this whole dialogue, because I think if you want to be innovative around how you fund things, then you actually look at those models and you incorporate it in the design. What we’ve often been told is, because of European restraints, ‘You cannot do this.’ Well, if we haven’t got European restraints, and we have that dialogue, why can’t we do it? If they work, and we’ve got evidence that they work, then that’s the sort of dialogue we should be having to make that programme, whatever its successor is, to incorporate those things. Because

that's for the benefit of everybody else.

[227] **Mark Isherwood:** And do you agree that, based on that international evidence, if we move from needs-based to strength-based approaches, we can avoid the risks that Eluned highlighted?

[228] **Mr Fiander:** I think so. I think that, you know—

[229] **Mr Richard Morgan:** Don't avoid the risks—take the risks. There will be risks. There will be risks, but be prepared. Start out saying, 'This may go wrong, but let's give it a go, let's try it, let's see if we can make it work'.

[230] **Mark Isherwood:** I agree; we must take the risk. But the evidence is there for those who seek to minimise risk with public money, internationally over decades, showing that, done properly, this does address those problems also.

[231] **Mr Fiander:** I think that's right, but I think, again, if you've got people engaged in and understanding what you're doing, then it doesn't become a risk. I mean, part of the problem with the thing is, actually, the auditors tell you you've broken the rules, because people actually don't know what you're doing, and then it becomes an issue around is it votes, or is it, you know—I fully understand that. But the auditors actually tell us whether we've broken the rules, not actually the people. The people are saying, 'Well, it doesn't affect me'. So, actually engaging at that level with those sorts of things, people understand what's happening, so they tend not to be so right-wing, or, you know, 'Oh, so and so has wasted that money', if someone's actually doing that—

[232] **Mr Richard Morgan:** Don't let auditors build your policy—[*Inaudible.*]

[233] **Mr Fiander:** But that's what's happened. Projects have been ridiculed because they're a so-called waste of money, but no-one's actually analysed what they've achieved. They've looked at big lumps of money—'Have they achieved anything?', or, 'They haven't done all the outputs'. But, to the people they were probably helping, they were actually of value. I'm not saying—. You know, review them and understand them, but, in a way, the people who were actually benefitting from that, were they actually asked at the time, 'Is this project actually a waste of time?' It's a simple question—you know, 'Was it achieving something for you?' But the auditor is saying, 'Well, they didn't get that; they've spent this'. There has to be sensible control, but,

at the same time, I think an element of risk and understanding, so that people are actually engaged in that process.

[234] **Mark Isherwood:** I think the auditor general has now actually outlined a need for a change in approach to how we deliver public services, which reflects that. So, let's see how policy delivers. Thank you very much indeed.

[235] **Jeremy Miles:** Thank you for coming in this afternoon and giving us your evidence. I'm afraid time has beaten us; we could have gone on for another hour. But thank you very much for coming in and giving your evidence. You'll receive transcripts of today's evidence, so, if you do spot any factual inaccuracies, please do let us know. But thank you very much.

[236] **Mr Richard Morgan:** You can say, 'Oh no, I didn't mean to say that', and take it back, is it? [*Laughter.*]

[237] **Jeremy Miles:** You can't change that, I'm afraid. [*Laughter.*]

[238] **Mr Fiander:** Thank you for your time.

[239] **Jeremy Miles:** Thank you for yours.

[240] **Mr Fiander:** It has been good to come and talk.

[241] **Jeremy Miles:** We won't take a break, because we took a break earlier; we'll go straight through.

15:54

**Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn
Dystiolaeth 5
Inquiry into Regional Policy—What Next for Wales?—Evidence Session 5**

[242] **Jeremy Miles:** Thank you very much for coming in this afternoon to give us your evidence. Members have got a range of questions for you, across a number of areas. It may help you to just bear in mind that the first part of the questions are about regional policy today, and the second part will be about a sort of forward look, if you like, about how things might change, or how things might look, going forward. But perhaps you could introduce yourself before we start.

[243] **Mr Byard:** No problem at all. My name is Paul Byard. I'm the national director for the Manufacturers' Organisation here in Wales. I also sit on the council for economic renewal. Also, as part of the council for economic renewal, we've now formed a strategy group, which is looking at the inclusion of an industrial strategy as part of the wider economic strategy. I'm also chairman of Business Wales, so I chair the social partners in Wales, which consist of the CBI, the TUC, the FSB and the Law Society, right through to road haulage. So, having an understanding about their respective agendas and how we can seek a common purpose of how we actually all work together as key stakeholders in Wales is part of my remit as well.

[244] I also sit on the enterprise zone board for Blaenau Gwent. I chose one of the toughest areas to look at regional activity and policy as well. As you know, the issues around that particular region are many. I'm sure we'll come to that as we go through some of the questions. Just for your information, I've also prepared and I've written for the Welsh Government the manufacturing strategy for Wales. I've done the sector approach for advanced materials and manufacturing. I've also written the industrial strategy around enterprise zones. So, as EEF, as the organisation, we pretty well understand most of the systemic issues that we have.

[245] **Jeremy Miles:** Thank you very much for that. That's extremely helpful. As we go forward, I'll ask Members to try and keep questions brief so that we can get through as many as we can in the relatively short time that we have. I'll just ask, to kick off: in terms of the article 50 negotiations, are there any concerns that you might have about how they play out in terms of their potential impact on regional funding and the allocations of those in Wales?

[246] **Mr Byard:** What we've actually picked up from our particular members is: as you know, there's about £11.7 billion-worth of exports into the EU, and that access to the single market, as you've heard many times, is critical for the manufacturing and the industrial sector that we have in Wales. I think there's more and more concern about how that access to the single market is going to unfold. There are some real concerns around that issue. We are looking at how we can help other businesses diversify and look at growing their presence in other markets, but that takes time, as we all know. Do we have enough time? I think that balance is critical at this stage.

[247] **Jeremy Miles:** Thank you. Suzy Davies.

[248] **Suzy Davies:** I'm interested in the role of some of your members and

certainly the private sector in the spending of ESF money. Having another look through the projects that are currently running in Wales at the moment, most of them are either Welsh Government led or local authority led. I appreciate that the money has to come through that route. Looking at where we are now rather than the future, do you feel that the private sector has made enough of an effort to become partners in the use of this money, if you like?

[249] **Mr Byard:** Let me try and answer the question in another way—

[250] **Suzy Davies:** Happy for you to rephrase it, if you like.

[251] **Mr Byard:** I also sit on the programme monitoring committee at WEFO and, up until a few months ago, almost £935 million—worth of that fund was unallocated because, obviously, access to the funds was through the organisations you’ve just mentioned. Private sector engagement in that was being seen by the Welsh European Funding Office as, ‘We’re not involved in strategy and therefore can’t engage’. Their only access to that fund was through their normal mechanisms. They wouldn’t be creative to think outside those areas that they currently work in. So, I think the structure of accessing those funds was limited.

[252] **Suzy Davies:** Was that because the direction from the European Commission was over-prescriptive on what that money should be spent on, or was it that WEFO wasn’t able to help the private sector be more forceful in becoming partners?

[253] **Mr Byard:** I think it’s our own interpretation of those state aid rules. I think we could have been far more creative in how we actually looked—and there are examples of best practice of how that could have been used, and there are many, many projects. If you take the example where—in Wales today, we’ve got something like about 320 infrastructure projects equalling £40 billion. If you couple that together with those European structural funds to look at how those investments could then be created in the form of sustainable employment by underpinning that work with future skills needs and so on, then you’d get a win-win. But those two were never connected.

[254] **Suzy Davies:** That’s interesting. And then just finally, Chair, what we have seen in the last 20 years or so is a growth in the private sector of very small organisations, some of them social enterprises, that are focused on skills. Is that something that existing businesses could have taken on if

they'd had, shall we say, more creative direction from WEFO? You know, existing businesses thinking, 'Yes, we can develop skills in our communities, we don't need the separate small organisation to do that for us'.

16:00

[255] **Mr Byard:** I think you're perfectly right. The succession planning and that access for businesses has been—. Dare I say, can I put that in context?

[256] **Suzy Davies:** By all means.

[257] **Mr Byard:** If you think about the last two decades, we haven't had a form of—I'm going to use the words 'industrial strategy' a number of times this afternoon—we haven't had a form of industrial strategy to give a common purpose. I think if we all had that common purpose in mind, it would be far easier to look at the connectivity between all of these activities and that's what fundamentally lacking.

[258] **Suzy Davies:** Okay, thank you. Thank you, Chair.

[259] **Jeremy Miles:** Michelle Brown.

[260] **Michelle Brown:** What impact does European funding currently have on your members?

[261] **Mr Byard:** That's a good question. When you put that in context of how much funding is available and where we have used it effectively, we've used it effectively when a crisis has occurred. So, for example, when we went into the recessionary period and we wanted to retain skills, there were schemes such as ProAct, Skills Growth Wales and the economic growth fund. They were used to retain skills to go through the storm to actually look at—. When we had a crisis, they were used effectively. Now that we don't have a crisis, it seems that everybody has just backed away and that common purpose and that vision is not understood. On European structural funds, we could've done a lot more with them, but there was never that appetite to actually go on and do things further.

[262] **Michelle Brown:** Okay, thank you.

[263] **Jeremy Miles:** Can I just ask you what sort of thing you have in mind when you say 'go on and do things further'? What would that look like from

your point of view?

[264] **Mr Byard:** If I was to say to you that one of the barriers for—. To create sustainable employment, we need infrastructure and we need investment, and a lot of barriers exist for those. Having an industrial strategy—. We hear our First Minister talk about ‘Wales is open for business’ and then I see a number of initiatives where we can do things differently. For example, you’ve got the document where it talks about taking Wales forward. There are a number of pledges in there where it talks about building 20,000 affordable homes. Now, if I said to you that over the last five years, between European structural funds and Welsh Government, about £60 million has been poured into the SPECIFIC innovation centre in Baglan, and we can now build a zero carbon home—. So, I’ve spent a lot of money on research and investment, so there’s a lot of intellectual property there. With our ability to commercialise that IP into products, and when we have an initiative called ‘Taking Wales Forward’ to actually build 20,000 homes—those two will not be connected. So, we don’t have a broader remit of our industrial strategy. Why would we lay down that investment if it wasn’t going to commercialise that activity? I’ve spent a huge amount of money here, we’ve got pledges over this side, and we know that we can actually create supply chains and develop skills and capacity in these areas and lay down those investments, but we’re not connecting those two. So, we can do more if we had that approach.

[265] **Jeremy Miles:** Okay. You mentioned ProAct and ReAct and so on. Apart from those—you describe them as crisis interventions, if you like—what has worked well from a business point of view in terms of European structural funds?

[266] **Mr Byard:** Following on from that, there was a period of Skills Growth Wales. I think that lasted for about three years as well. I think I read that something like 420 business applications went through that process and many businesses then took up that opportunity, went through that, started to crawl out of recession and leveraged that activity to actually look at how their businesses could grow, and many have. Where it’s used well is where it’s actually been borne out of a crisis, where it’s actually listened to what industry and stakeholders have said. But then when that crisis disappears, it just falls back into default mode and then becomes less active.

[267] **Jeremy Miles:** It sounds as if you’re suggesting that something with a greater focus on supply chain resilience might have been more beneficial from your perspective.

[268] **Mr Byard:** That's what we're seeking. Because they're operating in isolation, I think there is no common purpose with regard to what does a future state look like and, therefore, by what means could we look at investments, innovation and future skills. Two of the criteria there at WEFO are looking at both innovation and competitiveness, but nobody can talk about where we should be in 2025 if we look to rebalance the economy. Therefore, if we don't have that common purpose, why have we got £935 million-worth of unallocated funds when those two are critical components in how to rebalance the economy?

[269] **Jeremy Miles:** Thank you. We're going to look forward now as to what regional policy might look like in future. Eluned Morgan.

[270] **Eluned Morgan:** Can I apologise? I'm really sorry—I missed the beginning of your intervention. It sounds very interesting. I'll make a point of looking it up later. I was just wondering, just in terms of regional policy and Brexit, to what extent do you think we should have a UK regional policy, or should we just ask for the cheque, the money that currently comes from Europe to be handed to Wales, or should we ask for a pan-UK approach to regional policy?

[271] **Mr Byard:** Because of the wider implications on some of the infrastructure projects, it should be bigger than just Wales. I think we should be part of—. The UK have now set up a department called the Department for Business, Energy and Industrial Strategy. Therefore, we should be seeking to have a role within that and develop that accordingly. Post Brexit, we won't have European structural funds as such, and I think being part of a wider community with greater infrastructure projects, to look at our capacity and capability within our supply chains, working closely with Innovate UK, with all the Catapult centres, which are really centres of excellence throughout the UK, on how we can best serve our companies in Wales, would be a critical area of work for us.

[272] **Eluned Morgan:** So, if you take that approach with, say, the industrial strategy or something like Catapult or Innovate, would you suggest that what we should be doing is saying, 'Actually, we'll just have a percentage of that for Wales', or do you think that that should be driven by excellence or something else?

[273] **Mr Byard:** I think we should do it the other way, by saying, 'Today,

look at all of our current measures’—our economic measures. If I give you just one or two examples, we all know that GVA in Wales is only 74 per cent of the UK, so that’s one measure. The other one is: we only spend, in Wales, about 1.2 per cent of the UK on R&D, so our ability and our rate of innovation in Wales is low and our ability to bring new products and services to the market is low. So, if you just take those two measures, if we then said, ‘By 2025, if we’re going to rebalance the economy, what do those numbers need to look like?’—you can then draw the timeline. So, we know what our current state is, we know what our future state is, we draw the timeline, we can do the gap analysis ourselves, and then determine what we need to do to get there and lay those numbers down. So, I would say that 1.2 per cent needs to be closer to 7 per cent. Now, the translation of that may mean that instead of spending X millions of pounds on R&D, we need to spend one-point-whatever billion it is. That’s where we should then focus on how we fund that activity and how to resource that, because that’s the only thing that’s going to get us to rebalance the economy and take us out of some of the many systemic issues that we have in Wales.

[274] **Eluned Morgan:** It’s interesting you coming in immediately after people who are working at perhaps the opposite end, where people are, you know, finding it difficult to have the confidence to start a conversation. So, we could be spending that much on R&D, but actually, we wouldn’t have the people to populate and to actually work once those R&D projects are commercialised, because we wouldn’t have the people with the education and skills. How should we manage that? You’re talking R&D there in particular; should that come from a UK industrial strategy where we get a percentage, or are you saying that the regional policy that we have should be allocating whatever the gap in funding you’re suggesting—that that should just go directly to regional policy within Wales? So, structural funds, effectively.

[275] **Mr Byard:** Dare I say, each region of Wales will have its own unique case, because we’ve got areas where—. Up in north Wales, there’s going to be quite different needs to the south, for example, and quite different to mid. Therefore, if I look at—. To take south as an example, when we talk about Wales being open for business, one of the key projects that we’re looking to bring forward now is the lagoon. So, if we get the Cardiff and the Swansea lagoons, that would create 11,000 jobs—4,000 in manufacturing, 7,000 in the rest of the construction and supply chain. One of the things we called for last year when Tata announced the 750 job losses is that the deep sea port and the 150 acres of land around that area—to designate that as an

enterprise zone. So, when we start building industrial units, leveraging the IP that sits in the SPECIFIC innovation centres—so, I'm now going to build industrial units that have and can generate power. So, anything I manufacture within, I've already reduced my unit cost. Therefore, if I was to manufacture the turbines and so on, I've got a deep-sea port, I can put it on a barge and ship it to any location I can. So, I wanted to look at how we strategically leverage both our infrastructure work and our regional policy activity and actually connect those things up, not just around investment, innovation and those skills needs. Unless you fast-forward and look at where you want to be and what sort of economy you want it to look like in 2025, and then reverse-engineer how we're going to get there—working in these budget cycles, we're never ever going to get there, so the microeconomics of those regional policies can never take on a common purpose.

[276] **Eluned Morgan:** Are you worried about the fact that at the moment the structural funds have a multi-annual profile, but UK budgets have an annual budget profile? Is that something that concerns you?

[277] **Mr Byard:** Yes, simply because of the lack of vision—nobody can talk to me beyond March next year. We're all stuck in the sort of standard budgetary cycles, which is not best practice. If I use an example of best practice and look at where I can go to plagiarise that, and look at other European countries, Germany being one of them, and have a look at how they're rebalancing their economy and how they've managed to have a sustainable industrial unit, then I think there is an opportunity for us to plagiarise that best practice.

[278] **Eluned Morgan:** Can I ask you about—?

[279] **Jeremy Miles:** Can I just bring Mark in on this, because this is his line of questioning?

[280] **Mark Isherwood:** [*Inaudible.*—you referenced Germany, which, of course, is a federal state. There's a clear constitutional demarcation between the Länder, but at the same time the efficient Länder will co-operate together to design services rather than replicate services, hopefully, across the border. To what extent should a future UK regional policy reflect that? You referred to ReAct, for example, and ProAct, but we've seen, in some cases, parallel programmes—UK Government-funded Work Programme providers in Wales reaching a similar demographic to some of the Welsh Government and Welsh European Funding Office-funded devolved Welsh programmes in Wales, and

work programmes at a UK level delivering jobs for the furthest from the workplace at lower cost, rather than designing and delivering together. So, what should we be learning from that, looking to places like Germany, in terms of that need to design and deliver across borders whilst respecting each other's constitutional sovereignty?

[281] **Mr Byard:** I think if you have a look at our decline that we've had in sustainable employment and look at how we can actually move those two key indicators in Wales, one being innovation and one of gross value added, the GVA is the one that really concerns me, as to how we're starting to fall away. That needs to be recovered to give household income a different perspective so that we can all have a far greater say in our economic activity and so on. I think that that in itself will reduce the burden on so many other services within Wales as well.

[282] I just think that because we're in these budgetary cycles, we don't ever have the opportunity to go and look at some of the things that you've just described and take that as a view, plagiarise the best practice, as we indicated, for what needs to be done to move these economic indicators that we have, and then draw that timeline and actually have a plan of how we're going to get there. We're stuck in these sorts of cycles that we just can't seem to be free of, open the debate and have the discussions, and we're doing a massive injustice to our young people. We all know it takes four years to grow an apprentice, and we can actually have a parallel approach with regard to looking at those future state investments and then having an opportunity to run that. But when I've got Members of Parliament and Ministers running around shouting 'austerity', it doesn't help. As you know, austerity effectively means that, in government terms, they've run out of creative means of how to use their budgets effectively.

[283] **Jeremy Miles:** Eluned.

[284] **Eluned Morgan:** Great—I love the way you're talking. I just wondered if you could talk a little bit about our delivery mechanisms. What's the best way for us to deliver regional policy? Who should be doing that—should it be the Welsh Government, should it be the private sector or should it be local government? What's the best way?

16:15

[285] **Mr Byard:** Obviously, one of the things that we're trying to push on is

to look at the economic strategy, but making sure that the inclusion of industrial strategy is part of that. Once we've got that on the agenda, each region will have a case-by-case basis. We can have a look at the demographics within the regions—so, for example, as you know, a lot of economics are hidden by the fact that unemployment in Wales is low, hence the reason why I sit on the enterprise zone up in Blaenau Gwent, where it's high. And the reason why I took that challenge on is because I think there is a real opportunity to look at how we can actually do justice to that area, but it has—. You know, 30 per cent of the people there do not have the qualifications, so I'm not going to bring high-value jobs there. I need to look at how I can actually create employment in there, and then grow it over time to a different state. Now, if we have a longer-term perspective on that, then that job can be done so we can solve many of the systemic issues. This is what businesses do, day in, day out, so this is not hard, but when you're only working in these budgetary cycles, we can never get to that point to talk about how we'd release all of this potential to achieve this future state.

[286] **Jeremy Miles:** How do you measure success along the way?

[287] **Mr Byard:** Say again.

[288] **Jeremy Miles:** In a very long-term trajectory, how do you measure success along the way?

[289] **Mr Byard:** Obviously, in any sort of business where I advise on future state strategies and how you futureproof a business, if I take Wales plc as just being one of those examples, it's back to saying, 'Where are we today? What sort of economy do we need to look like?' And I'm going to move that to 2025, and we'll say for example, 'Manufacturing today represents about 14 per cent of our GDP.' If we're going to truly rebalance the economy and move that GVA number—move some of the real economic indicators in our country by 2025—what trend does that need to have? And then if you put that timescale on it, you can then draw your milestones as to how you would do that. Then I could look at the Government's policy and economic levers to make sure that we actually have the connectivity of these, in the right way, at the right time, to achieve what we need to do. And I would ask for that body of indicators, then, to be assembled.

[290] **Jeremy Miles:** But are you looking for a funding commitment of some sort, or a kind of financial support package of some sort that extends in the long term as well, to mirror that?

[291] **Mr Byard:** If we look at the future state, the word ‘funding’ won’t come into it, because the funding is just stuck into that budgetary—

[292] **Jeremy Miles:** Well, I used the words ‘financial support’ as an alternative for that reason.

[293] **Mr Byard:** And if I was to say, when I’ve done various talks on looking at how, by 2025, we want to create an extra 100,000 jobs in manufacturing—for every one job we put in manufacturing, we can put four in the supply chain and so on and so forth. When I’ve given that talk to many other business leaders, and including, by the way, within that, there were people there from the NHS and so on, they even said to me, ‘Paul, are you actually saying that by 2025, if we create this future state, that will actually reduce the burden on the NHS, because you’ve got more people economically active?’ And that wasn’t me saying it; that was what these guys then wanted to share. So, I got the NHS wanting to be part of an industrial strategy that’s actually going to solve many of their systemic issues that they have today, and I thought that was really refreshing. Now, if we can connect these things up, I think Wales has got a real opportunity to actually achieve that future state, without it costing a huge amount of money.

[294] **Jeremy Miles:** Dawn Bowden.

[295] **Dawn Bowden:** Thank you, Chair. Can I just bring you towards looking at how we will fund future regional policy? Obviously, we don’t know what the position is going to be with European funding post 2020. Welsh Government is working on the basis that we will have repatriated to the UK a pool of money, but they’ve taken the view that the baseline of the block grant payment for Wales would have to be readjusted to take account of the needs-based element that comes with European funding. Do you agree with that view, or do you have your own view on what that should look like?

[296] **Mr Byard:** Obviously that is a concern with regard to how—because, again, we’re in these budgetary cycles and I’ve clearly indicated that I’ve got a lot of civil servants running around shouting ‘austerity’ and ‘cuts’, and just frightening investment and employment and so on and so forth. Let me give you the one example—I’m going back to the NHS. So, in Wales, we spend £6.5 billion a year on the NHS across the seven health boards. There is not one industrialist in any of those health boards. If I infiltrated those areas with industrialists, I can make a 10 per cent saving. Now, go and match-fund

that—I've now got £1.3 billion a year to spend on education, skills, efficiency and procurement. So, why have I got civil servants running around telling me austerity is here? So, we can actually do things differently if we work together in the true collaboration style of Government, industry, academia, stakeholders. But we're not doing that fully.

[297] **Dawn Bowden:** So, taking that theme, do you—? We took evidence last week from Professor Morgan from Cardiff University who talked about taking a more place-based approach to development in Wales, so that it's not just all about economics—it's about people's well-being, it's about a whole range of factors. So, you'd buy into that sort of theory as well, would you?

[298] **Mr Byard:** Absolutely. I've been able to witness this and understand the microeconomic stance of Blaenau Gwent, for example, where there are huge issues and concerns. I think having that picture by 2025, over the longer term, we can solve many of those systemic issues, and I truly believe that.

[299] **Dawn Bowden:** And just to go back to the European funding and transparency of the way in which future regional policy might be developed, what sort of criteria would you want to see in terms of how that would be developed? Would you want to see a similar kind of transparent, needs-based formula like we have in Europe, or would you say, 'Let's scrap it, start again, and let's try and do something different'.

[300] **Mr Byard:** First of all, we need to have that common purpose. Because we don't, and because none of the regions can actually interpret what economic strategy means, things are done in isolation. And, as you know, even in Wales we've got—54 per cent of our procurement is won by Welsh-based business. Now, if I move that to 75 per cent, for every 1 per cent I move of that I could create 2,000 jobs. Now, if I then think about the shopping list, and moving that 54 per cent to 75 per cent, by region, we can actually start to help some of those areas as well. So, I think it has to be case-by-case, but a bigger picture in terms of an industrial strategy and economic strategy and then break down into the microeconomics.

[301] **Dawn Bowden:** But, presumably, with some clear and objective criteria.

[302] **Mr Byard:** And have the basket of measures in place, as I indicated, and I mentioned too, but there are a raft of things that I think we can then use, and benchmark it, do the gap analysis, to see what we can do.

[303] **Dawn Bowden:** Sure, okay. Thank you, Chair.

[304] **Jeremy Miles:** Mark Isherwood.

[305] **Mark Isherwood:** Thank you. Looking at the current EU regional funding model, what, if anything, do you think we should be retaining as we move forward, and what should we be seeking not to replicate?

[306] **Mr Byard:** I said you'd hear me say 'industrial strategy' a few times this afternoon. [*Laughter.*] One of the things I think that we should be looking at is: take the 320 projects that we currently have in Wales equalling £40 billion, there's a huge shopping list of things on which we can procure and build capacity and capability in Wales. If I look at that list, then look at how we can actually help businesses become more competitive, building capacity and capability, by assembling those two areas together, rather than just subcontracting and bringing that work in, I think that would be a fantastic opportunity over the longer term. That's something that we don't do well enough. So, our procurement needs to be brought in line with the common purpose. At the moment, I've even got—. Even the 22 local authorities are doing things completely different; there is no harmonisation there either.

[307] **Mark Isherwood:** Is there anything we should retain from the current model?

[308] **Mr Byard:** Not much.

[309] **Mark Isherwood:** Not much. Thank you for that. And you've referred, in your introduction to your own membership, to a plethora of bodies working with public sector and other bodies and the Welsh Government. Is your sector given parity of esteem, real partnership and real leadership in designing things as we go forward, given the other comments that you've made, or how do we need to be changing that? So, I can think of one example, in the context of a different committee, of apprenticeships, and in England, they've got the trailblazer approach, where businesses lead on designing apprenticeship programmes, whilst here we've taken a different approach, which is very much focused on Welsh Government, they tell us, working with your sector and others to design programmes at a governmental level.

[310] **Mr Byard:** It works really well when we have a crisis. So, when we had

the crisis and we introduced ProAct and the Skills Growth Wales and so on, it worked really well. When Tata hit us with the news last year, and then we called for the area around the deep-sea port to be an enterprise zone, that was done in three weeks. So, we can move fast and we can do things differently when we wish, but we don't take our foot off too much, because we don't have that common purpose and understanding of where we need to be by 2025, and hold each other to account.

[311] **Mark Isherwood:** So, what different voice does your sector need to ensure that we are designing and delivering programmes that take account of your knowledge and expertise and financial resources?

[312] **Mr Byard:** It took me three years on the council for economic renewal to get the words 'industrial strategy' used. I don't give up easily. One of the key issues that I am still driving on is that we still haven't fixed the underlying issues. So, to be competitive, and to drive that investment into Wales—. As you know, in Wales at the moment, we're still paying something like £36 per megawatt hour for our energy, compared to £19 in Germany, if you just wanted to use that as a sort of benchmark. I know that there are many, many companies, if I brought that £36 down to a competitive edge, it would drive inward investment, which would then drive into future skills needs and create sustainability. So, there are a lot more things that we can do if we work collaboratively together.

[313] **Mark Isherwood:** Thank you. And finally, looking globally, whether it's within Europe or beyond Europe, are there any models of good practice that you can see that we could be learning from here?

[314] **Mr Byard:** Let me use the example of the lagoon and Germany in context. Okay? So, we're going to go through the next two years of uncertainty. One of the things we can do in this particular period is bring new industries into Wales that have global reach. The lagoon is one of them. Why we are dragging our heels on this one, I do not know. We should just say, 'This is a crisis that needs to happen tomorrow.' That would create the jobs, and that would then demonstrate that Wales is open for business that has a global presence in terms of its application and so on. If you then look at what Germany has been doing, out of its Bremerhaven port, around turbines for looking at alternative energy sources. In Wales, as you know, only 5 per cent of our energy comes from renewables, whereas Germany is in excess of 30 per cent. We need to be driving that. We've got IP to build zero-carbon homes today, and we're not employing it. So, we've got all of these

things at our disposal, but we're not connecting them up.

[315] **Mark Isherwood:** And is it just Germany? What—if any—other parts of the world can you point us to look at where different approaches are reaping benefits?

[316] **Mr Byard:** One other quick example is if I look at the food and drink sector. In Wales, as you know, that is quite a fast-growing sector. We recently did a project on food tourism, and I didn't have to look too far. We did a literature review and had a look at Scotland. Scotland's food tourism is going to grow from £13 billion to £16.5 billion this year. What is Wales doing to accommodate its own food tourism in this sector? Potentially, that could grow between £1.5 billion and £1.8 billion. Where is our focus and what are we doing in this area to actually create that as well? So, there are many, many examples of where we can go and have a look at what other companies are doing, and there are lists of what we can do, and there are things that we can move forward, but we don't seem to be connecting them up. Having an industrial strategy with a common purpose that all of this is understood, so that we're all debating the same issues of how we're going to achieve this, will be far easier and more transparent.

[317] **Mark Isherwood:** Thank you.

[318] **Jeremy Miles:** Thank you, Mr Byard, for your evidence. Is there anything you'd like to touch on that we haven't covered in our questions?

[319] **Mr Byard:** No, I think I've used the words 'industrial strategy' enough this afternoon. [*Laughter.*] So, can I apologise for making those comments? But as you can see, there is deep concern within the manufacturing sector about the hard Brexit access to that market for Wales. In terms of the £11.7 billion-worth of exports into the EU, it is critical for us to maintain that. I think, if anything, that has to be maintained, and the sustainability element is actually having a common purpose. It would be great then to work with you on how we achieve that by 2025, to get out of these budgetary cycles.

[320] **Jeremy Miles:** Thank you very much. We will send you a transcript of your evidence, and if you find any factual inaccuracies, please do correct them and let us know.

[321] **Mr Byard:** No problem at all.

[322] **Jeremy Miles:** Thank you for your time this afternoon.

[323] **Mr Byard:** That's okay. Thank you.

16:29

**Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y
Cyhoedd o'r Cyfarfod
Motion under Standing Order 17.42(vi) to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi). accordance with Standing Order*

17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[324] **Jeremy Miles:** I propose that we move into private session under Standing Order 17.42, unless any Members object. Okay. Thank you.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 16:29.

The public part of the meeting ended at 16:29.