

**Minutes**

**Date:** Wednesday 11 October 2000  
**Time:** 9.00am to 12.20pm  
**Venue:** Committee Room 1, National Assembly Building

In attendance

*Members*

Rhodri Glyn Thomas, Chair	Carmarthen East and Dinefwr
Mick Bates	Montgomeryshire
Delyth Evans	Mid and West Wales
Carwyn Jones	Bridgend
Elin Jones	Ceredigion
Peter Rogers	North Wales
Janet Ryder	North Wales
Karen Sinclair	Clwyd South
Val Feld, Chair, Economic Development Committee (item 5)	Swansea East

*In attendance*

Sheila Bailey	Prya Group
Kevin Kirk	Kanda Systems Ltd
Albert Robinson	The Burger Manufacturing Company Ltd
Elwyn Vaughan	Leader Network
Professor Terry Marsden	Expert Adviser

*Officials*

Huw Brodie (item 2 )	Director, Agriculture Department
Gareth Jones (items 3 and 4)	Head, CAP Management Division
Steve Nicholls (item 3 and 4)	CAP Management Division
Huw Davies (item 3)	Office of the Counsel General
Caroline Turner (item 6)	European Affairs Division

*Secretariat*

Adrian Crompton	Committee Clerk
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**Item 1: Apologies and substitutions and declarations of interest**

1.1 The Chair welcomed Janet Ryder to her first meeting. He asked Members to declare any interests relevant to the meeting. Peter Rogers said he was a farmer, Mick Bates that he was a partner in a farming business.

**Item 2: Assembly Secretary's report - ARD 13-00(p1)**

2.1 The Assembly Secretary referred the Committee to his written report. In discussion the following points were raised:

- information had been requested at the previous meeting on the effect on payments under Tir Mynydd of enhancing the safety net. The Committee noted that this was being prepared;
- the Assembly Secretary was asked if the changes to the Tir Mynydd scheme would affect payments under Tir Gofal. The Assembly Secretary said that the schemes were entirely separate;
- the Assembly Secretary was asked if match funding from the WDA would be available to the Welsh Meat Company when the new structure was agreed. The Assembly Secretary said that he was not aware that the position with regard to match funding had changed. Regular updates on the progress of the Company would be provided;
- the Assembly Secretary was asked how widely publicised had been the meeting held in Flint on the GM 'Field Scale Evaluation'. The Assembly Secretary said it had been widely publicised with notices in the local press and invitations to the local authority and the two local community councils;
- the Assembly Secretary confirmed that the maximum stocking level under Tir Mynydd was to be 1.8 livestock units per hectare. Stocking above that limit would result in an inspection and, if evidence of overgrazing were found at this inspection, a management regime would be agreed with farmers given one year to correct the situation before penalties were imposed;
- the Assembly Secretary was asked where the additional £2.8 million for the Organic Farming scheme had come from. He agreed to provide a note;
- the Assembly Secretary was asked if the Committee or Plenary would have an opportunity to see or debate the BSE report before it was published. To maintain pre-publication confidentiality this would not be possible;
- it was noted that the record clinics being arranged provided an opportunity for farmers to obtain advice on Tir Mynydd applications to be submitted by 6 December. The Assembly Secretary said that not all the clinics would have been held by 6 December but a good geographic spread would have been achieved.;
- the announcement that supermarkets had increased the price of milk by 1½ to 2p a litre was welcomed. The Assembly Secretary was asked if he planned to hold further discussions with the supermarkets. He said the price rise was a step in the right direction. His predecessor had met the supermarkets earlier in the year and he was keen to continue the dialogue. The Department of

Trade and Industry's report proposed a legally binding code of practice for supermarkets. It would be important to get that right and he hoped the Committee could have an input. The report promised at the previous meeting on the meetings with supermarkets would be prepared as soon as possible.

### *Action points*

2.2 Note on the source of the extra £2.28 million for the Organic Farming scheme to be provided - **Assembly Secretary/Huw Brodie**

2.3 Report on outcome of meeting with supermarkets and information on modelling on Tir Mynydd, which were action points at previous meeting, to be provided - **Assembly Secretary and Chair**

### **Item 3: Independent Appeals Mechanism - ARD 13-00(p2)**

3.1 The Committee was asked to consider the draft consultation paper on an independent appeals mechanism.

3.2 The Assembly Secretary said that it was important to issue the consultation paper as soon as possible. Two months would be allowed for comment and the revised scheme would be then brought back to the Committee. It was hoped to implement the appeals mechanism by next spring. The question of whether the final stage of the process should be judicial or an internal tribunal had to be considered. The difficulty with a judicial stage was that it would take control of the final stage of the process outside Wales. A decision would be taken in the light of the responses to the consultation.

3.3 The Committee welcomed the consultation paper. In discussion the following points were raised;

- it was noted that it was proposed to make a charge to access the fourth stage of the mechanism, the independent advisory panel. The Assembly Secretary was asked if it would be possible for farmers to elect to go straight to stage 4, the independent panel. The Assembly Secretary said that the current suggestion was to charge a £100 fee to discourage frivolous appeals. He was considering making this refundable if the appeal was successful. The Committee noted that penalties were considered in between 1,500 and 2,000 cases every year. That level of cases would swamp the panel and the earlier stages of the process were necessary to act as a filter;
- it was suggested that divisional offices needed to reply more quickly to farmers during the early stages of a dispute. The Committee noted that it was intended to introduce time limits for the various stages;
- the Assembly Secretary was asked if disputes already considered, or in progress, could be considered under the new mechanism when it was introduced. The Assembly Secretary said that this was something that would be considered in the light of the responses to the consultation. It might be possible to consider recent cases but it could create problems, and would be expensive, if older cases were to be reopened. The Committee noted that in Scotland only disputes relating

- to IACS 2000 claims would be considered. The intention was to have stage 4, the independent panel, in place by next May. It was hoped that stages 1, 2 and 3 could be introduced before that;
- problems often arose when a partnership changed and the Assembly Secretary was asked if a mechanism was being developed to prevent delays in making payments in such circumstances. The Assembly Secretary said a new "separate business" test had been introduced :
  - the Assembly Secretary was asked how complaints concerning allocations from the national reserve would be dealt with. The Assembly Secretary said that the independent appeals mechanism was designed to deal with all disputes arising out of European subsidy claims. The panel might usefully consider claw back and siphon issues but the allocation system was rather mechanical and there did not appear to a role for the panel there;
  - introduction of the independent appeals mechanism could be expected to reduce the number of cases referred to the Ombudsman. The Assembly Secretary agreed and said it would be important to inform farmers about the new system and help them make the right choice between the Assembly's appeals and complaints systems.

#### **Item 4: Ombudsman Report and Response - ARD13-00(p3)**

4.1 In accordance with Standing Orders 21.6 and 21.7, the Committee considered and approved the draft response of the First Secretary to the Ombudsman.

The Chair informed the Committee that consideration was being given to altering the way Committees considered Ombudsman cases. In future he suggested the Committee might note cases and approve the First Secretary's reply but only devote significant time to discussion if Members gave notice of particular issues they wished to raise. There was general agreement for this provided Members maintained the right to discuss the wider implications of reports as necessary.

#### **Item 5: Diversification Review**

5.1 The Chair welcomed Terry Marsden, Ann Watkin, Sheila Bailey, Kevin Kirk and Albert Robinson to the meeting. This was the first of three information-gathering sessions on access to capital, business support and advice. The focus in this session was to hear from people with practical experience of accessing capital, business support and advice and assisting new businesses in rural areas. The current review of business support by the Economic Development Committee was obviously relevant and so the Chair and Members of the Committee have been invited to attend. Val Feld had another engagement that morning but hoped to join the meeting later.

5.2 Elwyn Vaughan was chair of the LEADER Network in Wales. Most of rural Wales was covered by LEADER II and LEADER groups were trying to add value to local resources particularly in the agriculture and tourism sectors. They helped local people access European funds and create opportunities.

5.3 Albert Robinson was the general manager of the Burger Manufacturing Company Ltd. He had many

years experience in the meat industry and his brief had been to find a new location to process value added meat. He had considered locations in Milton Keynes, Telford and Builth Wells. Builth had been chosen because of the availability of grants through the WDA, a good supply of lamb and beef and locally available labour. The WDA had provided excellent support. All meat was sourced from Wales and was being sold under a strong Welsh brand. The company currently employed 32 people and produced 30 tons of burgers a week. Expansion to 150 tons a week was planned and further financial support from the WDA and the Assembly would be sought.

5.4 Kevin Kirk was chairman of Kanda Systems Ltd, a company producing tools for the micro electronics industry. The company could have set up any where in Britain but chose Wales because of the welcome offered and quality of life in Aberystwyth. The company had begun as a student training project in the University as there was a dearth of suitable business courses in the further and higher education sector. Financial assistance had been received at various stages from the WDA and from Xenos. Finance Wales was an excellent idea and the company would be seeking finance from the Welsh Innovation Fund, part of Finance Wales, for the purchase of an American company. From contacts the company had in the USA and Canada it appeared that access to seed capital was easier in Wales. If the further and higher education sectors were more responsive more business could be spun out from universities and colleges.

5.5 Sheila Bailey represented the Prya Group which helped those with ideas to create new businesses. The company worked in partnership with local agencies such as the Training and Enterprise Council (TEC), enterprise agencies, local authority and schools and colleges. It employed 10 full time and 10 part time staff but had a wide range of contacts on which it could draw. More details were provided in the paper produced for the Committee.

5.6 The Chair then invited questions from Members. The following questions were raised:

5.7 What were regarded as the main obstacles for business development, what were the main areas of business growth and what general conditions would help more businesses locate in rural Wales?

- Elwyn Vaughan said there was a danger in constantly reviewing the provision of business advice but lessons could be learned from elsewhere. He referred to the system in place in the Scottish Highlands and Islands where Local Enterprise Companies provided a shop window for national bodies for business advice services. A network of local development partnerships or agencies, often LEADER companies, existed in parallel to undertake rural development, community development and grass-roots activities;
- Sheila Bailey agreed about the importance of making best use of local skills, for example those offered by accountants, solicitors and young farmers clubs. Young people in rural areas often had lots of good ideas but no business experience. When they set up a business they needed a hand-holding from an individual or small team they knew and could trust. The former ADAS farm advisers were an excellent example of this approach.
- Albert Robinson explained that when he was asked to set up the factory in Builth the market

already existed. His brief was to find the resources to satisfy that market. Much ground work had been done before approaching the WDA and the Assembly. It had been necessary to convince farmers, abattoirs and cutting plants that the burger manufacturing factory in Builth would provide a long term outlet for their produce. Establishing an excellent quality and marketing team was the key to success. Training was very important and the TEC had evaluated the company's needs and helped select people for interview. The food-manufacturing sector, in particular, often needed specialised premises to meet hygiene and environmental standards. These were in short supply and their lack of availability could limit expansion. Financial assistance was needed to help bring sites with suitable potential up to the required standard.

- Kevin Kirk focused on the potential for spinning off businesses from universities. He said that Aberystwyth University had given little encouragement. There were excellent examples elsewhere, particularly in the USA, of what could be achieved when a university took a proactive approach. He felt the relationship between education establishments and business was not as good as it could be.

5.8 How could more diversified employment be generated in rural areas and what path did new businesses follow to access capital and advice?

- Sheila Bailey explained the importance of an informal, open door approach when dealing with new, potential businesses. Training was crucial and Prya was designing training for local people to run businesses initially in a sheltered environment.
- Ann Watkin said that the WDA received referrals through Business Connect. Other contacts came from companies through the WDA account managers.

5.9 The Assembly was developing an all Wales information technology strategy. What were the key issues to address?

- Kevin Kirk said that broad band telecommunications were vital and this had to be addressed. BT was considering rolling out ADSL in Cardiff and other large centres but not to rural areas. The existing telecommunications infrastructure in Wales was very poor. When recruiting new employees he found that basic IT skills were adequate but that it was difficult to find people with more specialised training. . There were some good courses on offer, though, such as at the University of Glamorgan.

5.10 Was the one-stop shop approach for business advice through Business Connect working efficiently?

- Elwyn Vaughan said that Business Connect had been set up as a one-stop shop but he did not feel it had been as successful as hoped. The Leader Network operated in rural Wales and was often the first point of contact. Some enterprise agencies had grown to a size where they had lost contact with local communities. There was an opportunity to look at some of the models existing in rural Wales and the lessons that could be learnt in relation to service delivery and community

development in industrial Wales

- Ann Watkin said that the WDA would provide a paper for the Committee's meeting on 8 November. Business Connect had been established as a first-stop shop and the various partnerships in Wales worked in different ways. Consistency of approach was an issue that the Economic Development Committee's review was considering.

5.11 What was the best way of delivering advice and was there too much bureaucracy involved in present delivery routes?

- Val Feld said that the Economic Development Committee's review was looking closely at the delivery of advice through Business Connect. Consideration was being given to bringing Business Connect under the control of a single agency to standardise the delivery of advice across Wales. A large or growing business had different requirements to a small one and different approaches were necessary, probably through a network of account managers. The review was also looking at the importance of a business's relationship with its adviser and how needs changed as a business grew.
- Sheila Bailey said that the best way to deliver advice to develop local businesses was through a small team with access to a range of supporting information and advice. It often took far too long for small firms to get a small loan of, say, £1,000 through the existing formal channels. Bureaucracy, the requirement for business plans and so on, often made the process impractical for new businesses.

5.12 From the evidence provided in the meeting it appeared that companies in the WDA priority categories were able to access capital. Was the picture consistent or did weakness exist elsewhere? Were low interest, long term loans what businesses needed?

- Keven Kirk said that the biggest problem was in obtaining small grants of between £1,000 and £30,000 when a business was setting up. Once established it was easier to access larger grants. His company had found it difficult to obtain its first small firms loan from the WDA but once secured the support provided was very good. A small loan facility, backed possibly through a private public partnership, would be very welcome especially for companies which were not in the priority sectors. Initial kick-start funding was more useful than low-interest, long-term funding.
- Albert Robinson said that his raw materials were seasonal and when planning expansion it was vital that the necessary funding was delivered quickly and on time or the opportunity to exploit the market could be lost.
- Elwyn Vaughan said that some business of importance in rural areas, such as shops and residential care homes, slipped through the funding net. It was possible to provide assistance through Leader II but a flexible and innovative approach was needed. An innovation fund would be a great help.
- Sheila Bailey said that Prya had obtained some small grants from the WDA but had been unable to access capital grants. Many small businessmen raised the initial capital against their home. Problems often arose when the business wanted to expand, perhaps 12 to 18 months later. Cash

flow problems and a reluctance by banks to lend further amounts often resulted in a business failing. 'Soft guarantees' could be very valuable in underwriting loans to businesses at this stage of development.

5.13 The Assembly Secretary said that a number of interesting points had been raised. He hoped that the lack of telecommunications infrastructure was on the way to being resolved by Objective 1 funding. The concerns raised about the lack of support for business in the further and higher education sector needed to be addressed. The availability, targeting and access to funding, especially of smaller amounts, also needed further consideration.

5.14 The Chair thanked Sheila Bailey, Kevin Kirk, Albert Robinson and Elwyn Vaughan for their contributions and said he hoped they would be willing to respond in writing to any further questions the Committee might have.

#### **Item 6: Leader+ Wales - ARD 13-00(p4)**

6.1 The Chair welcomed Caroline Turner to the meeting. He said the Committee was asked to consider the consultation draft of the Single Programming Document (SPD) for LEADER+. The draft was due to be considered by the Economic Development Committee on 18 October and in Plenary on 14 November. The final draft SPD had to be submitted to the European Commission by 17 November.

6.2 Caroline Turner said that LEADER+ would be funded entirely from the Agriculture Guidance and Guarantee Fund (EAGGF) which would simplify administration. The European Commission had requested that under Leader+ each group should choose one of two themes. The themes proposed for Wales were; Theme 1 - Improving the Quality of Life; and Theme 2 - Added Value to Local Products. A third theme based on the environment was being considered. Greater emphasis was placed on pilot projects under LEADER+ than in previous programmes and innovation was a fundamental principle. All rural areas in Wales would be eligible under LEADER+, whilst in the past eligibility had been restricted to Objective 5b areas. The European Commission required LEADER+ to focus on the target groups women and young people. Following the earlier consultation micro and small businesses, farming families, the under employed, Welsh speakers had been added to the list of target groups in the draft SPD. It was possible to add further target groups if that could be justified.

6.3 In discussion the following points were raised:

- the Committee noted that the intervention rates for LEADER+ were the same as for Objectives 1 and 2 - up to 75% for Objective 1 and up to 50% for Objective 2, though it was possible that the 50% rate could apply across Wales. This would need to be considered by the Programme Monitoring Committee (PMC) once established;
- why was it proposed to adopt the "global grant" approach rather than using local authorities as intermediaries? Support was expressed for the approach during the consultation exercise because it could ease cash flow problems for Local Action Groups, and the intermediary would have an



important role in monitoring and guiding their work. The WDA had been approached to see if it would be willing to take on the role of intermediary. Local authorities were likely to be involved with local action groups;

- would the PMC for LEADER+ be the same those for Objectives 1, 2 and 3? The Committee noted that the PMC for LEADER+ was a separate legal entity but, because of similarities with the Rural Development Plan (RDP) in terms of geographic coverage and content, some overlap in membership with the RDP PMC was likely;
- how would local groups be selected when there was no prioritisation on the basis of economic or social needs between areas? The Committee noted that the European Commission did not want to favour any area over another. Selection should be based on the quality of a project not the needs of an area or eligibility for Objectives 1 and 2. Applications would be assessed by the Welsh European Funding Office. A shadow PMC would be established early next year;
- concern was expressed that some groups had shown an interest in establishing a joint cross border Local Action Group which would cross the Wales, England border. Caroline Turner said that she was aware that Wrexham was considering working with Cheshire and North Staffordshire. Caroline said that a meeting had been arranged with Wrexham for the following week to discuss the issue. There may be legal problems about funding cross border projects.

6.4 The Chair thanked Caroline Turner for a comprehensive presentation.

#### **Item 7: Minutes of 14 September meeting - ARD 12-00(min)**

7.1 The Assembly Secretary asked for his report to be taken in the second half of the meeting on 25 October as he had to be in Paris the previous day and would not return to Cardiff until later on the Wednesday morning.

7.2 The Committee adopted the minutes of the meeting of 14 September.

#### *Action point*

7.3 Draft agenda for 25 October to be amended to take Assembly Secretary's report towards the end of the meeting - **Secretariat**

**Committee Secretariat**

**October 2000**