



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Materion Allanol a Deddfwriaeth  
Ychwanegol](#)

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

27/02/2017

[Agenda'r Cyfarfod](#)  
[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)  
[Committee Transcripts](#)

## Cynnwys Contents

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau  
Introductions, Apologies, Substitutions and Declarations of Interest
- 4 Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn  
Dystiolaeth 1  
Inquiry into Regional Policy—What Next for Wales?—Evidence Session  
1
- 22 Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn  
Dystiolaeth 2  
Inquiry into Regional Policy—What Next for Wales?—Evidence Session  
2
- 42 Papur i’w Nodi  
Paper to Note
- 42 Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y  
Cyhoedd o Weddill y Cyfarfod  
Motion under Standing Order 17.42(vi) to Resolve to Exclude the  
Public for the Remainder of the Meeting

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 <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Michelle Brown <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Cymru UKIP Wales
Suzy Davies <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Mark Isherwood <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig Welsh Conservatives
Jeremy Miles <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Eluned Morgan <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
David Rees <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)

**Eraill yn bresennol**  
**Others in attendance**

Yr Athro / Professor Sascha Becker	Prifysgol Warwick Warwick University
Yr Athro / Professor David Bell	Prifysgol Stirling Stirling University
Yr Athro / Professor Kevin Morgan	Prifysgol Caerdydd Cardiff University
Dr Jayne Woolford	Prifysgol Caerdydd Cardiff University

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

Rhys Morgan	Clerc Clerc
Sara Rees	Dirprwy Clerc Deputy Clerk
Ben Stokes	Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 14:33.  
The meeting began at 14:33.*

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

[1] **David Rees:** Good afternoon. Could I welcome Members and the public to this afternoon's session of the External Affairs and Additional Legislation Committee? And we're continuing with our inquiries into the implications of the decision to leave the EU for Wales. Could I remind Members that the meeting is bilingual? There are headphones available for simultaneous translation from Welsh to English on channel 1, and for amplification on channel 0. There are no fire alarms scheduled for today, so if one occurs, please follow the directions of the ushers who will take you to a safe place. Can I remind everyone: mobile phones, other electronic equipment—please either on silent or off, to ensure that they do not interfere with the broadcasting equipment? We've received apologies this afternoon from Steffan Lewis, but there are no substitutions in place.

14:34

**Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn  
Dystiolaeth 1  
Inquiry into Regional Policy—What Next for Wales?—Evidence Session 1**

[2] **David Rees:** We'll go to our next item on the agenda, and to the first evidence session this afternoon regarding our short inquiry into the implications on regional policy. Could I welcome Professor Sascha Becker, and Professor David Bell on the video link? Welcome. Can I thank you both initially for your written evidence and support? Thank you very much for that.

It's led us to some questions we'll want to explore a little bit further as a consequence, and perhaps I'll start off with that, in relation to article 50. We are aware, obviously, that the intentions of the UK Government are to trigger article 50 before the end of March. That was reinforced when the Minister of State attended our session two weeks ago. I want to just clarify as to—. In relation to regional policy, what do you see are the major issues as a consequence of article 50 being triggered, or are we still in a situation where we need to continue the negotiations in relation to regional policy, because we know we'll be operating under that? Are we ready for a discussion on regional policy under article 50 triggering? Professor Becker first.

[3] **Professor Becker:** I believe that, in the first instance, regional funds would be allocated in the same way as they are now until the end of the programme period, which ends in 2020. But, obviously, the issue might already come up during the article 50 process, depending on how the discussions go. But I don't see why it wouldn't continue in the same way for the next two years.

[4] **David Rees:** Professor Bell.

[5] **Professor Bell:** I agree with Professor Becker. I have been asked questions about match funding and how that might be altered or affected should the UK take over the funding of the structural funds post Brexit. But whether that—. You know, that's a discussion that I think will come about down the line and won't be immediately affected by what happens next month in terms of the triggering of article 50.

[6] **David Rees:** Can I ask you about when do you think there needs to be a sort of position stated on regional policy prior to leaving? Because it's understood that once article 50 is triggered we have two years to actually come to leaving the EU, probably 18 months before we're actually able to be in a position where the position is placed before the other 27 EU nations for their consideration. At what point do you think that we need to have a clear position on regional policy as part of those negotiations?

[7] **Professor Becker:** I think since Brexit is likely to be a reality, Wales—if that's what we're talking about here—will have to take a position relatively soon, because to the extent that funding might run out by the end of the Brexit process, if all 28 parties agree, then it becomes rather a domestic issue whether the Welsh regions continue to receive regional funding that is in a similar monetary range as that which they receive right now via Brussels.

[8] **David Rees:** Professor Bell.

[9] **Professor Bell:** I think that over the course—not necessarily of a too tight timetable, but, over the course of the next couple of years, the issue of regional funding will arise and I think that will be contested. I think there will be debates about the effectiveness of regional policy and whether this amount of funding being allocated in the way that the EU currently guides the allocation is an appropriate use of public funds. Of course, this will come at a time where Brexit, in fact, may make it more difficult for the UK to balance its fiscal budget. So, there will be pressure, I would suspect, for savings from this among other forms of spending that are currently controlled by the EU.

[10] **David Rees:** Thank you for that, and we'll come on to some of those other aspects a little bit later. One final one from me for this point: the current guarantee the Treasury has given to those programmes—is that an effective guarantee or are there concerns that, as we approach 2019, when we are likely to leave the EU, there may be some challenges to those guarantees, to place them perhaps even on the legal framework we'll be within for those programmes at that point in time? Professor Becker first.

[11] **Professor Becker:** Well, I guess if Brexit becomes a reality in the year 2019, there would, in any case, only be one year left. In the given programme period, that runs from 2014 to 2020. So, we could be talking about this one year, but the real issue is, anyways, what would happen in the next programme period and these years coincide, roughly, plus or minus 12 or 18 months, depending on when Brexit happens. So, I think it's time now to think about what is next for the regions of the UK.

[12] **David Rees:** Professor Bell.

[13] **Professor Bell:** I think that for the UK Government to change the terms of the game in 2019 would be a considerable political risk for it, because it will, anyway, have fairly delicate negotiations with the devolved administrations to deal with the continuation—if that's what they wish—post 2020. So, I think they'll probably stick with the agreement up until 2020, and it's the post-2020 situation that will be of more concern for the Welsh Assembly.

[14] **David Rees:** Okay, thank you. We move on to some questions now on

the impact that funds have had, and, Mark, if you wanted to lead on that.

[15] **Mark Isherwood:** Thank you. I'm particularly addressing the question to, initially, Professor Bell, although I would welcome Professor Becker's, perhaps, opinion as well. Professor Bell, thank you for your paper. In your paper you include a statement that:

[16] 'Some argue that existing EU regional and rural policies do not provide value for money anyway and have consistently failed to achieve their objectives'.

[17] I wonder if you could expand a little bit on that for us, and also share your evidential base.

[18] **Professor Bell:** So, I'm not arguing one way or the other. It's not my evidence. Professor Becker's done a lot more work on this than I have. What I was reporting was a summary of evidence that appeared in a Treasury paper, and it seems to me there is a sort of tension within policymaking circles around general area-based support, and support that focuses particularly on cities and agglomerations. And you'll see some evidence of that through the support for the Northern Powerhouse, or the Cities Programme, or the devolution deals. So, the EU support tends to be for infrastructure and skills, basically, across relatively wide and poor parts of the EU. Now, the ultimate question—and Professor Becker knows more than me about this—is: has this helped these regions catch up with the EU average, say, the EU average income? I think the interpretation that the Treasury were putting on their investigation of this was that the case for that catching up wasn't convincing. It's important for the Welsh Assembly to realise that that is a strand within the Treasury thinking. If you want to counter that, then it has to be the case that some effort is put into the gathering of evidence to show that these policies have been effective. And, of course, Wales is more exposed than other parts of the UK to the potential loss, should the Treasury view prevail.

[19] **David Rees:** Professor Becker.

[20] **Professor Becker:** So, my research over the past years has looked at the EU regional policies across the EU as a whole, so I haven't looked specifically at Wales, and even not really specifically at the UK. The reason for that is that, just from a statistical point of view, in terms of evaluation, a bigger database is always useful to try and see patterns. So, overall, our findings are that, when we look at Objective 1, which nowadays is called the

convergence objective, which is the biggest pot in the regional policy budget, it does, overall, work, in the sense that you get out what you put in or a little bit more—there is a multiplier that's roughly above 1, but not much above 1. So, overall, the money the EU spends via the regional policy budget is not wasted, but it doesn't do any magic.

14:45

[21] So, given that the big hope the EU has with this regional policy of bringing the bottom tail of the distribution up to the average, it turns out that many regions have been recipients of EU money for quite a long time by now. So, the catching up isn't as good as one might have hoped. But still, overall, EU regional policy seems to work. But our research found that there are differences across regions. Not all regions are alike, obviously, and they are also not alike in the way they make use of that money. It turns out that, as a pattern, regions that are less-educated, or where the governance of the local government isn't as well-run, are less effective in turning the same amount of money into additional growth.

[22] **David Rees:** Mark.

[23] **Mark Isherwood:** Thank you. In your view, what are the reasons for regional policy not achieving stated aims and objectives, where that's occurred? From what we've just heard—and particularly Professor Bell—are you suggesting some sort of dichotomy between a focus on infrastructure and the gross value added measure, which is actually about the value of goods and services produced per head?

[24] **Professor Bell:** The GVA measure is an interesting one, in one sense, which I point out in the paper, in that it's practically the only measure that's used to objectively allocate funding across the constituent parts of the UK. Now, of course, the Welsh Assembly has been arguing for a long time that the Barnett formula is unfair. The reason for that is that it doesn't accurately measure need. Well, in fact, the GVA measure does objectively measure need, albeit solely in relation to income that falls below 75 per cent of the EU average. So, I think, from the Welsh Assembly perspective, and given—you know, the way that the Barnett formula works is in the process of flux. Nevertheless, the idea of continuing to use an objective measure of need, rather than the way that the Barnett—I will not go through the Barnett formula at the moment, but it doesn't directly measure need. That is, in itself, an interesting point. Then there's a question about what is the best



way to increase GVA and allow this catch-up to the EU average income level and so on. I guess infrastructure and skills are two of the areas that are particularly focused on. Remember that the EU has quite strict rules on state aid, so, it's not possible to particularly focus on some enterprises, and it's not easy to hand lots of money to companies, as such, to get them to generate additional income. So, the focus on infrastructure has been based on the argument that, to have a productive economy, you have to have private investment, you have to have skilled workers, but you also need an infrastructure that allows goods and services to move around at low cost, and therefore not be an impediment to the growth in productivity.

[25] **Mark Isherwood:** Perhaps Professor Becker could develop that in the context of what you consider to be the reasons for lack of impact: so, why the GVA gap, for instance, hasn't closed, in Wales specifically, but also more generally, if you wish to contrast that elsewhere.

[26] **Professor Becker:** Yes. So, let me repeat that, overall, EU regional policy achieves some of its aims, and money isn't wasted, but a lot of why regions will probably never really catch up with the average region is economic geography. Some places are just not as good places to do business. So, just taking the example of Scotland, I used to teach in Scotland and often had students from the Outer Hebrides. Are the Outer Hebrides ever going to have the GDP per capita of London? No, likely not. So, we have to accept the fact that some places simply are not as attractive. They are more distant from where agglomerations of firms build. So, in that sense, as long as we see growth rates through benefits from funding, that's fine, but should we expect complete convergence and all of Europe to have the same income at some point? Likely not, because there are fundamental factors that matter.

[27] **David Rees:** Thank you. Suzy.

[28] **Suzy Davies:** Thank you for your answers there. I accept the point that you can't expect all parts of Europe to reach the average for some of the reasons you've mentioned, which could be the geography, poor education, poor local authorities—just a couple of examples. But that still doesn't explain, in my mind anyway, why Wales, per capita, gets an extraordinarily higher amount than other parts of the UK, according to Sheffield Political Economy Research Institute. Considering it's more than twice per capita of any other part of the UK, would you expect to see Wales doing proportionally better than it is, compared to other parts of the UK, but, perhaps more importantly, other parts of the European Union? Are there other parts of the

European Union that we can better compare Wales with in terms of its achievement versus its investment, or are we stuck with just internal UK figures to get a sense of scale from? Does that make any sense? We spend a lot for what appears to be very little compared to other parts of the UK, but are we more illustrative of other parts of the European Union?

[29] **Professor Bell:** Shall I go?

[30] **Suzy Davies:** Both, please.

[31] **Professor Bell:** So, although these sums look quite large, in terms of overall Government spending, the amount that's spent in regional aid is still relatively small. So, in terms of what happens in Wales, although it is by far the biggest recipient of EU aid, the amount that is being spent is still relatively small compared to the Welsh Assembly's own budget and there's nothing stopping the Welsh Assembly spending also its own money, and it does, on economic development. Scotland spends quite a lot of its own money on economic development and has been quite successful in attracting foreign direct investment, because, per capita, Scottish Government spending on economic development is higher than in any of the other UK nations. So, I think we mustn't expect a huge amount from what is, still, a relatively small extra spend, and it is, of course, the case, as Professor Becker was pointing out, that some parts of the EU, it's unlikely that they will catch up with the average.

[32] Although infrastructure spending may help, it is also true that it's only those components of infrastructure spending that are effective in terms of reducing the cost of business that will, in all likelihood, have a big effect. I'm not suggesting that that's not the case in Wales, but some programmes are likely to be more effective than others. There have been examples, particularly in the Mediterranean countries, of large amounts of money spent on infrastructure that clearly have been—well, I'll use a polite term—not good value for money.

[33] **Professor Becker:** I also would like to underline the point that the overall EU budget is roughly 1 per cent of the GDP of the EU economy, so it is, overall, a small budget. The regional policy budget, out of that, is less than 40 per cent. So, in comparison, the amounts that regions receive via the EU regional policy budget are not huge, but, still, if you look at different regions in the EU that receive different amounts of money, there is an issue that we run into in all dimensions of economics, namely that, if you spend

more, every additional pound doesn't have the same return as the first pound. So, at some point, if you flood regions with money, and that happened, for instance, in the case of some Greek regions that received in the order of 10 per cent, 20 per cent of their GDP as transfers from the EU, they just struggle to make good use of that money; it's too much of a good thing, really.

[34] **Suzy Davies:** Okay, thank you, that's fine.

[35] **David Rees:** Jeremy.

[36] **Jeremy Miles:** It's a question on a sort of similar theme, to develop that point a bit further: would you expect there to be a difference in the speed at which regions are able to make good use of that money and grow their economies, which is referable to the different starting points? So, for example, if you've got a country—. We've heard, certainly anecdotally, and perhaps in evidence, that a country like Romania, for example, has used its funds rather effectively, and so on. Is there something there about this sense that Wales is a comparatively poor region of a comparatively wealthy country, which tells you something different about the speed at which you'd expect growth to occur, as against a country where, perhaps, the poorer regions represent a larger proportion of the whole, if I can put it like that?

[37] **David Rees:** Professor Becker.

[38] **Professor Becker:** That sounds reasonable to me, but I can't point to any research that, so to say, 'shows' it in a reliable way. But one thing to note is that the UK is, in a regional perspective, the most unequal country of the EU. It's more unequal than Italy, for instance. People would always think that the north and the south of Italy are a crazy world apart, but, ultimately, the UK with Cornwall as the lowest per capita income part of the country and London, it's factor four in terms of GDP per capita and it has been like that for, roughly, 40 years.

[39] **David Rees:** Okay. Professor Bell.

[40] **Professor Bell:** Yes, I would just agree with that. It seems very plausible that bringing a country that is relatively underdeveloped—. It might be the case that the use of funding will be more effective in those circumstances than is the case where another part of the country is effectively the highest income part of the whole of the EU, and there are

always tensions around loss of talent and skills to other parts of the country, whereas that may not be the case in a country at a much lower level of development. It might be more equal, but lower.

[41] **David Rees:** Thank you. Michelle.

[42] **Michelle Brown:** Thank you, Chair. Do you think that exiting the EU gives us an opportunity to rethink regional policy and have a really close look at how effective current regional policy is, and tailor it to suit our own needs? If so, what would your thoughts be on how the Welsh Government should go about that?

[43] **Professor Becker:** Yes, I think it will give an opportunity to rethink things, but the conclusion may well be that at least some elements of EU regional policy are quite useful. I would like to underline something that Professor Bell has said earlier: one beauty of EU regional policy is that it is formula based. So, regions receive Objective 1 or conversion Objective money if they have a GDP per capita of less than 75 per cent. Whether that's a good threshold or not—it could be 80, it could be 70—is a completely different question. But, the fact that there is a rule gives some degree of reliability. So, in the UK context, it seems to me—and I'm speaking as a non-Brit here—that regional policy often talks about deals, the Northern Powerhouse, the blah blah blah deal, which always sounds like a region bargaining with Westminster to achieve something special. And other countries: my native Germany has the fiscal equalisation scheme, which is somehow formula based and reshuffles money from the richer parts to the poorer parts, and that has a certain beauty to it because there is less behind-the-scenes bargaining, and more objective criteria being applied.

[44] **David Rees:** Professor Bell, do you want to add anything?

15:00

[45] **Professor Bell:** Yes. I think, yes, I mean, the regional policy will definitely be re-evaluated. There's a question about at what level regional policy will be re-evaluated. So, where will the decision that we will have a regional policy at all come from? Will the UK Government make that decision, and if it does, how will it allocate funding to the different parts of the UK, and will it expect the other parts of the UK to follow its lead in terms of the style, design of that policy? There's a lot of attraction around the rule-based approach, as Professor Becker has said, because what currently seems to be

happening—it's happening in Scotland as well as in other parts of the UK—is that the UK Government, and in this case the Scottish Government, and the local authority come up with some scheme to spend some money and everyone throws some money into the pot. These are really difficult to evaluate. Ten years from now, how will we know that these have been successful or not successful? I think that poses a real problem, and the UK Government has started to head in that direction in terms of its regional policy. And the question is—. The current EU policy sits in a different place, because it is determined by these rules, and how these are going to come together post-Brexit, and how they're going to be negotiated between the UK Government and the Assembly seems to me to be a pretty problematic area, and I have no clear way through that morass, but just to note that there will be, I suspect, a strong lobby for more deals rather than more of the kind of rule-based approach that the EU has used for many years now.

[46] **David Rees:** Thank you. We've moved into the future of regional policy. So I'll go to Dawn.

[47] **Dawn Bowden:** Thank you, Chair. It's kind of following on the same theme, from what you've just been saying, and what you were saying in response to the first questions about not knowing what kind of funding we're likely to be having post Brexit, but kind of following on from Professor Bell's comments there. To what extent, then, is there actually a clear case at all for having a regional policy? That would be the starting point. Is there a clear case for the UK to have a regional policy? That's the starting point and then I'll come on to perhaps another area, once you've given your views on that. Perhaps Professor Becker could start.

[48] **Professor Becker:** Let me talk about the counterfactuals. So, not having one, would that be a reality that anyone would accept? I find it very unlikely. So, I think every country I'm aware of has some kind of regional policy. So, from a purely political perspective, and not economic, clearly having one gives the central Government at least some argument as to why they care for all these regions out there. So, I expect there to be some kind of regional policy also in the future in any case. So, I wouldn't advocate to do away with—

[49] **Dawn Bowden:** So, you would say that both the economic and the political case would be strong for that really.

[50] **Professor Becker:** Yes.

[51] **Dawn Bowden:** Okay. Thanks. Professor Bell.

[52] **Professor Bell:** I would reiterate Professor Becker's point, that we do have the most unequal nation, the UK, in terms of the differences between levels of income in its different regions. And, so, there's an economic case, and a political case. Now, you might say, 'Well, the UK is extremely unequal.' What we should do is focus our policy on poor households and make sure that we redistribute effectively towards the poorest, wherever they may be. If you go for a regional policy, what you may do is you may help relatively rich people in poor areas, and disadvantage relatively poor people in richer areas. But it seems to me that the political cost of not helping regions—especially in the current context, given what's happened in terms of Brexit itself, and what may happen in terms of Scotland—could be extremely high for the UK Government. And, as a result of that, I would expect regional policy to be given some post-Brexit life, but exactly what form—well, given what I've said earlier, I'm really not sure what form that may be.

[53] **Dawn Bowden:** Interesting. Chair, if I can just follow on from that, certainly I find redistribution of wealth a very attractive proposal, might I say, so that kind of sits where I am. But, Professor Bell, you talk in your paper of the possible alternative mechanisms for implementing regional policy, and you've highlighted just four possible options—you've seen these as well, Professor Becker, no doubt. Is there any one of those that you think would be most favoured by a UK Government, from what you know of the way that the UK Government are handling Brexit at the moment and where they might be wanting to go with it? Are there any of those options do you think that the UK Government might like to favour? I just wonder if the fourth option, when you talk about assigning equivalent tax revenues—is that akin to the fiscal equalisation scheme that Professor Becker was talking about in Germany? Sorry, there were lots of things in there. Apologies.

[54] **Professor Bell:** I've talked about a number of policies. So, one might be to take the equivalent of the structural fund and ESF budgets, and just allocate them to the different parts of the UK, using the Barnett formula, then let the Assemblies and the Scottish Parliament decide how to spend that money in relation to regional support. That might have some attraction as far as Scotland is concerned; it seems to me that the UK Government is keen at the moment to try to channel a lot of its funding through the Barnett formula.

[55] So, for example, you know that Scotland is going to take over some welfare powers in the next two or three years. The funding for those welfare benefits is going to come through the Barnett formula. It won't be direct payments to Scotland via the DWP; instead, it will come through the Barnett formula. What that does is that it makes the Assembly—well, it ties it into Westminster spending on the equivalent policies. So, if Westminster decided to cut back on its regional policy, there would be a Barnett consequential of that. And the Welsh Assembly would have to decide whether to reallocate funding from other priorities into regional support. So, that might be an argument against.

[56] The argument for continuing with the existing structure, broadly, probably is that it's the least cost way of proceeding politically. You know, there are many apple carts that are being upset at the moment; maybe the UK Government might decide not to upset this one, because life is difficult enough. Whether that happens or not, I don't know, but that's one possible argument as to why that might happen. Switching the funding through taxation kind of transfers some of the risk onto the Welsh Assembly. So, it would get the equivalent amount of funding added to its budget, say, through VAT payments the year after the introduction or the change to regional policies and those VAT payments would fund structural funds and ESF in Wales. Then, the question is: would the growth in VAT revenues keep pace with the rest of the country and with the aspirations in terms of support for regional policy? So, it's not quite the same as I think what happens in Germany, because there wouldn't be an equalisation aspect to it—there would be a transfer of risk. Sitting behind all of that would have to be whether any of these changes might impact, and it could be indirectly, on UK trade negotiations.

[57] In the paper, agriculture is the main area where this matters, but whether you end up with different regimes in terms of things like public procurement can actually play a part in trade negotiations and, therefore, the UK Government may wish to continue to have some control over the kinds of post-Brexit regional policy that is implemented in the constituent parts of the UK, because these policies and the trade negotiations are not independent of one another.

[58] **Dawn Boden:** Okay. Thank you. Professor Becker.

[59] **Professor Becker:** Yes, I agree with Professor Bell on the point that the most likely scenario is probably that the UK Government will keep in place

roughly the same pattern of distribution that the EU currently does—merely to have one issue parked and to deal with the rest.

[60] I would like to point out one thing as a general point that seems important to me, also not to go away from how things work right now in the first instance, which is: any form of place-based policy always has side effects that are often overlooked. So, let me take one example from the time of German division, when the German Government gave a lot of money to the areas exactly around the iron curtain. So, these areas benefited and that was an area of 20 km to 30 km [correction: 40 km] from the border. That more or less emptied the next 20 km from the border. So, all the money went here and firms moved from A to B, but there wasn't necessarily an overall benefit of this place-based policy.

[61] **Dawn Bowden:** That's the kind of threat side—because I think Professor Bell was also talking about that, wasn't he, in terms of the threats and the opportunities and that we could see the wrong groups, almost, benefitting disproportionately from some of the policies. But that's fine, thank you very much.

[62] **David Rees:** Eluned.

[63] **Eluned Morgan:** The Welsh Government, in its White Paper on its response to Brexit, has suggested that what they'd like to see is an adjustment to the block grant—so, the amount of money that comes from the UK Government—to the equivalent amount to what we gain now through structural funds and CAP. I just wondered, is there any scenario, in terms of regional policy, that could be developed at a UK level, where we would do better than that financially—financially rather than policy-wise?

15:15

[64] **Professor Bell:** The adjustment to the block grant is the Barnett formula model that I described. So, you take on the possibility that—. Further to there being an adjustment to the block grant, there would have to be equivalent spending on a UK level that could be used to determine how that block grant varied after the initial adjustment. So, basically, all of these block grant adjustments work in the following way: in the first year, you're no better off or no worse off; the amount of money transferred from Westminster to the Welsh Assembly is the equivalent of what it was in the previous year or what was planned. Subsequent to that, the amount that's



received depends on the change in equivalent spending at Westminster level. So, the question is: what would be the comparator at the Westminster level? So, you know, it might be something that the UK Government decides to cut, and as a result of that the size of the block grant coming to Wales contracts. Now, if you have a policy, on the other hand, that really is looking at levels of low income in Wales and Wales is not making much progress as far as increasing the incomes of these relatively poor people, then a formula that continues to focus on low income rather than a change to the block grant might be more advantageous to Wales, assuming that that was the situation that pertained. So, it all depends, in a sense, on how the Welsh economy does and how that affects the incomes of poor people in Wales. But you can see arguments whereby it could be the case that an adjustment to the block grant wouldn't be as good as something that continues to focus on an objective measure of levels of income.

[65] **Eluned Morgan:** Thanks, that's useful. Sascha, anything to add?

[66] **Professor Becker:** I don't think I've anything to add to that, because I'm not terribly familiar with the UK context.

[67] **Eluned Morgan:** Okay. I was just wondering what that might look like 20 years from now. So, if you're sitting up in the north-east of England, which is also relatively poor but doesn't receive the kind of European funding that we receive here—I'm just wondering, politically, whether you have any views on what that might look like and how, for example, if we were to get CAP funding, which I understand in Wales, if we were to do it on the Barnett formula, we'd be in a real mess, because we get about 5 per cent of the funding and, in fact, we're in receipt of about 20 per cent of funding at the moment. So, I just wonder if you could comment on that.

[68] **Professor Bell:** I don't think that is the correct way to interpret the CAP. Again, I'd imagine that what would be done would be that the Wales block grant would be increased by the amount spent in Wales on the CAP in the last year. It wouldn't be that it just gets 5 per cent of the CAP funding. It would get the same amount as the EU CAP budget implied. And it's after that that that is adjusted and the way that it would be adjusted would be that, say, agriculture spending in England increased by £100 million, then Wales would get its population share of that increase. Now, that's where the negative consequence would come in. So, it's not in the first instance. The negative consequence would come in because instead of getting 15 per cent of the change in spending in England, it would only get its population share.

Obviously, if Wales has 15 per cent of the agriculture and 5 per cent of the population, there is a disconnect there that the current Barnett formula doesn't take account of. Sorry, that's a long, convoluted argument.

[69] On the issue about the north-east, well, you know, a federal solution to the UK problem would end up with a situation a bit more like Germany than we've currently got, where there would be more fiscal equalisation, rather than a somewhat arbitrary allocation to different parts of the UK, based on a historic formula for allocating money i.e. the Barnett formula. It doesn't appear that there's much appetite for that kind of solution within the component parts of England. So, whether that situation might change in 20 years' time with the north-east, if it had by then fallen well behind, starting to argue for greater equity and an end to the Barnett formula—it's difficult to predict. But within the current constitutional framework, and given, again, the argument that the UK Government is upsetting enough apple carts at the moment, I don't see a big change, at least in the medium term. I'm not sure what would happen in the long term.

[70] **Professor Becker:** It seems to me that, from the viewpoint of recipient regions of EU funding, the smartest thing is to lobby for not changing the formulas right now. Because, to some extent, the EU is a nice fig leaf behind which you can hide—that you get all this money that's just channelled from the UK via Brussels back to the UK. And once it is UK redistribution, other regions will say, 'But why does Cornwall get so much?' and 'Why does Wales get so much?'

[71] **David Rees:** Jeremy.

[72] **Jeremy Miles:** If you were to look at the regional policies of countries outside the European Union, where would you look to for inspiration for real examples of success, if we were starting with a clean sheet, if you like, in Wales?

[73] **Professor Becker:** Unfortunately, I've nothing to say to that. I've only looked at EU regional policy, and I haven't done any research on areas outside the EU.

[74] **David Rees:** Professor Bell.

[75] **Professor Bell:** I have about an equivalent amount to say. It's almost certain that any policy, wherever implemented, has a cultural and

institutional context. So, we see that the Chinese economy has grown hugely in the last 20 or 30 years, but that has been at the cost of some parts of the community, and at a cost that a country like the UK might not be willing to put up with. A lot of this is culturally and institutionally specific.

[76] **Jeremy Miles:** Are there countries that have, perhaps, the broad economic characteristics of the UK—a tendency towards free market economics and other aspects that are the realities of the UK-wide economy—where there has been effective regional policy?

[77] **Professor Bell:** The only country that is all that similar is the US. And you wouldn't say that it's a shining example of effective regional policy. But, of course, it is quite different in one respect, and that is the relative importance of the state and operations within the state, and the extent to which—. It's quite difficult for the Government in Washington to implement policies that effectively redistribute between states, because states are very protective of their own powers.

[78] **David Rees:** Thank you. Mark, do you want to come in?

[79] **Mark Isherwood:** In terms of the—. The question was phrased 'outside the EU'. Within the EU—I mean, Professor Becker referred to Germany and internal fiscal transfers. Has that had an impact? Is that simply subsidising people who are in relative poverty, or is it actually helping to close the gap? And, therefore, are there models that could be followed by the UK outside the EU, but learning from models applied within the EU?

[80] **Professor Becker:** That is a difficult one to answer. So, in the German context, I would say that—. Take Bavaria, which is one of the richest parts of the country—it clearly wasn't so after world war two, or before world war two. So, that's an example of a state that somehow made it and even overtook other states in Germany. Whether that is due to any kind of regional policy, in the sense of money being redistributed from some central Government to Bavaria, or whether Bavaria pulled itself up by its own—how do you call it—hairs [correction: bootstraps], is hard to answer, and I'm not aware of any research looking at that.

[81] Then, in the German context, East Germany obviously messes up any kind of analysis you would want to do, because that brought in five states that are clearly considerably poorer than the rest. In the first years after unification, these regions caught up pretty quickly, but then somehow

stopped at a certain level. I would say that, broadly speaking, in the last 15 years, the east's catch-up process has slowed down considerably.

[82] **Mark Isherwood:** Thanks. The Welsh Government tells us that employment in West Wales and the Valleys—the prime recipient of Objective 1 and convergence funding—has grown, unemployment and inactivity have fallen, skills across Wales have grown and so on. Are we measuring success correctly, or are the Welsh Government funding priorities requiring reconsideration, given that relative gross value added has actually worsened, not only in West Wales and the Valleys but even the more affluent parts—so, Cardiff, where we are, and in the region it's fallen from the UK average to around 90 per cent, and north-east Wales, where I live, has fallen from the UK average to about 85 per cent? So, which is it? Should we be measuring success differently or should we be reconsidering future funding priorities?

[83] **Professor Bell:** What we should be doing is measuring how well West Wales and the Valleys have done against an appropriate comparator. Just saying that, in absolute terms, employment has increased isn't really all that informative, because employment has increased in most parts of the UK over the last few years. So, the question is—. It seems to me that you need to get an appropriate comparator—that might be adjoining parts of Wales or it might be other parts of the UK that start from a similar but perhaps not identical situation.

[84] It's certainly the case, too, that Wales has drifted down the league table as far as parts of the UK are concerned. I suspect it's more than simply the extent to which Government support has been available and regional policy support has been available that partly explains this kind of phenomenon. Thinking way back to when the Barnett formula was actually introduced, it was roughly a measure of need at the time. Wales, since the late 1970s, has drifted down the UK economic affluence table in terms of its level of income, whereas the south-east, and London in particular, has moved up. There are many debates about why this has happened.

[85] **Professor Becker:** Just to underline one point that, indeed, west Wales, 25 years ago, was not Objective 1, but at some point it slipped into Objective 1. So, it fell back compared to the EU average.

[86] **David Rees:** Okay, I'm conscious of the time—we're coming to the end of our session. I've got one final question. You've both talked—. Well, you've mentioned that it's more than likely—the UK Government is likely to keep us

as we are, because the simplest pattern is to allocate the funding based upon where we are in the last year. It might be the simplest thing, but is it the right thing to do at this point, or should we looking now at establishing a new form of policy that would be effective for, perhaps, the UK and, particularly, the regions? Rather than doing the simple thing, should we be doing the right thing, or is the simple thing the right thing?

15:30

[87] **Professor Bell:** I think this is a big opportunity to look at the structure of regional policy in general. I would not at the moment suggest exactly what form that might take, but it does seem to me that it's important that it operates in a transparent manner. And I would, if possible, stick with the notion of objective metrics as the determinant of whether you get aid or don't get aid, and also introduce the policy in a way that we're pretty clear that 10 years later we will be able to come to a conclusion as to whether it has been effective or not. Because if we carry on just doing deals, then it seems to me that's a potential recipe for disaster in terms of understanding where scarce taxpayer resources are being spent most effectively.

[88] **David Rees:** Professor Becker.

[89] **Professor Becker:** I fully agree on that. I also like formula-based approaches more than deals.

[90] **David Rees:** Thank you very much. We've come to the end of our session. Can I thank you both for your evidence this afternoon? You'll both receive a copy of the transcript. If you identify any factual inaccuracies, please let the clerks know as soon as possible. So, once again, thank you for your time today, it's much appreciated. Thank you.

[91] **Professor Bell:** Thank you.

[92] **Professor Becker:** Thank you.

[93] **David Rees:** I suggest we go into a 10-minute break.

*Gohiriwyd y cyfarfod rhwng 15:31 a 15:43.  
The meeting adjourned between 15:31 and 15:43.*

**Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn  
Dystiolaeth 2  
Inquiry into Regional Policy—What Next for Wales?—Evidence Session 2**

[94] **David Rees:** Can I welcome Members back to this afternoon's session of the External Affairs and Additional Legislation Committee? We go into our next item on the agenda, which is the second evidence session this afternoon to look at regional policy. And can I welcome Dr Jayne Woolford, Cardiff University, and Professor Kevin Morgan, also from Cardiff University, but clearly from different schools within the university? And can I thank Dr Woolford for her paper, which has been one of the sparks for our look at regional policy? Perhaps if I could start off the questions: in a sense, you've identified that the biggest vulnerability in relation to the current structural funds and their potential loss to Wales relates to the timing and content of article 50. We haven't yet seen article 50 being triggered. We know it will be before the end of March, because we've been told that categorically. But we are of the view, and it seems to be, that it will be simply a letter to trigger article 50, rather than anything else. So, what are your concerns in relation to the article 50 process as a consequence of that, then?

[95] **Dr Woolford:** Okay. My main concern is obviously that we're at the moment in a financial perspective that goes from 2014 to 2020. And so, if article 50 is triggered this March, that would be for an exit from the EU in March 2019. We actually have financial allocations within the programme, under the years 2019, 2020. So, it's actually what their status would be if we're no longer in the EU.

[96] **David Rees:** Obviously, we've had guarantees from the Treasury that any programmes prior to the autumn statement will be honoured, but, as you rightly point out, some of those could be in 2019. And in your paper you highlight the concerns about the legal aspects of the status of where we are, because the great repeal Bill will put EU laws into UK laws, but programmes that operated may still be operating under EU rules and regulations. How do you see that equating itself post 2019 to ensure that programmes continue to be delivered, and are meeting all regulations and all legal requirements upon them, depending on the—? There may be different legal status within the EU and the UK at that time.

15:45

[97] **Dr Woolford:** I think, again, it's back to the article 50 negotiations

that, to some degree, you would expect that within those negotiations there's a discussion about what is the final date of eligibility for expenditure, and, from that moment, then everything will sort of flow from that. So, currently, the final date for expenditure—eligibility for expenditure—if the programmes ran as they should and naturally to their end, would be 31 December 2023. I would be very surprised if the EU would agree that that still continues, and expenditure would still be valid and eligible until that date, unless the UK was still contributing towards the EU budget. So—. Sorry, and also to continue in terms of some of the legal aspects, there's an issue that, if we have eligible funding until a certain date, we need to have all of the relevant EU law. It needs to be retained and remain in place, and that's throughout the whole closure period, which actually would run until 2025, potentially 2027, something like that.

[98] **David Rees:** So, would that require, perhaps, some additional changes to UK law? Because post 2019, we will no longer be under the jurisdiction of the EU law, but you're saying there're going to be some programmes that will require that jurisdiction post 2019.

[99] **Dr Woolford:** That will require those legal requirements to continue to be met. So, for example, in terms of non-discrimination and equality, in terms of environmental standards, there are numerous things that would have to be—. Public procurement, state aid—all of these things would still have to be complied with if we then want to put in a payment claim to the European Commission and say, 'This is eligible funding for EU spend.' I mean, there's the aspect of whether we will still be sending payment claims to the EU, and a million and other things that—.

[100] **David Rees:** I'm just getting things clear in my mind. So, that means that, post 2019, if there are changes in the EU law, we will have to see them replicated to ensure that those programmes can continue to operate under that law, because, otherwise, we could be operating under two different laws in that sense.

[101] **Dr Woolford:** I wouldn't know, to be honest. It's clear to me from the regulations as they stand, and unless under article 50 negotiations something else comes from that, that we would still need to be aligning our law in those areas that are relevant to be able to claim that money. However, under article 50 negotiations, it could be the case that we agree something different, we agree a different final date for eligibility, we agree different frameworks for certain elements. There's no precedent, so it's very difficult

for me to say.

[102] **David Rees:** Obviously interesting times ahead of us. Professor Morgan, do you want to add anything?

[103] **Professor Morgan:** No.

[104] **David Rees:** Mark, do you want to go on to structural funds?

[105] **Mark Isherwood:** Right, thank you very much indeed. Dr Woolford, in your paper, and we're quoting, in terms of overall performance, Welsh structural funds programmes have not proved to be 'transformational', and

[106] 'higher funding levels in Wales have not led to greater performance or results against key economic indicators such as jobs created and new businesses.'

[107] Of course, the Welsh Government's produced figures saying that, particularly in west Wales and the Valleys, the employment level's gone up, the unemployment and activity rates have fallen, and, across Wales, skills and R&D have increased since the first round of structural funding came to Wales. So, could you expand on that and what the evidential base you have to support that statement is?

[108] **Dr Woolford:** It's quite a high-level observation. A lot of this needs digging down further, and there's always a time lag in terms of impact anyway. But I think it's in terms of having that higher level funding or that higher intensity of funding for a certain number of years that we can't really say that there's been some sort of transformational impact. At the same time, I think that's rather ambitious and I would struggle to find a programme that necessarily could say that they have a transformational impact. So, I think we have to be realistic. Did you want to come in there?

[109] **Professor Morgan:** Yes, I'd make two points, I think. The first point would be that, to get some perspective on the transformative potential of structural funds, in Wales we've tended to have a wholly unrealistic idea about their transformative potential. We're talking about something way less than 1 per cent of economic activity in Wales, and I think that adds some perspective. So, unless the structural funds are allied to and coupled with a suite of place-based policies, you won't get the transformative effect that many people hope for and expect. So, the first point is to get some



perspective about what we can reasonably, feasibly, expect from structural funds.

[110] Having said that, I'd say that, if you think back to when we first got Objective 1, from 2000 onwards, there's been some modest improvement, I would say, in the relative position of west Wales and the Valleys on the usual headline indicators: economic activity rates, employment rate, R&D spend, for example—some modest improvement in west Wales and the Valleys, relative to Wales as a whole, but nothing that has really shifted the needle in terms of the big developmental indicators. And, as I say to our Master's students, if you really think of all the special areas in interwar Britain, the four special areas, the only one today that's under development area status—a less developed area—is south Wales. And what that says to me is that that speaks of a developmental failure on a unique scale—and we're all complicit in that, of course—but an enormous developmental failure that we are the only less-developed region in Britain of an industrial—. Because I know bits of Cornwall are. And that is a staggering indictment of us in Wales, collectively. So, that would be my point. There has been some modest improvement, but, from the low base that we've come from, nothing has shifted the needle. I'm not talking about the current period now; I'm talking about the period since 2000 up to, let's say, 2013. I know the ex-post evaluation hasn't been done, has it, on the last programming period. So, that's what I would say to add to Jayne's comment to your question.

[111] **Mark Isherwood:** Okay. You mentioned south Wales, and of course west Wales and the Valleys includes four north Wales counties, and Anglesey has had the lowest GVA in the UK of all the areas. Given that you've referred to those areas where there's been a marginal closing of the gap within Wales, are we measuring success wrongly? Should we be looking at measuring successes and acknowledging successes where they've occurred or, as Professor Bell just told us, is that simply reflective of the trend over recent years of falling unemployment and inactivity across the nations and regions of the UK, and it's not directly necessarily attributable to the structural fund programmes? Given that the GVA gap has actually widened, not only in Wales as a whole, but in west Wales and the Valleys, and even the more prosperous areas like Cardiff and the Vale have gone from, roughly, UK average to 90 per cent, and north-east Wales—Wrexham, Flintshire—from roughly UK average to 85 per cent, should Welsh Government be reprioritising its programmes using this funding, or what funding comes in the future?

[112] **Professor Morgan:** Unfortunately, I didn't hear the evidence from the

prior session, but I'd agree with what you've just reported. I think the big issue, going forward, is the metrics that we use in Wales for assessing well-being. Up until now—. You know the indicators from the European Commission very well; they tend to be very economic, and sadly these have just been brought forward into our new programmes: the city regions programme, for example, is dominated by economic criteria—metrics, GVA uplift and the like. Personally speaking, I was a 'remainer', in terms of I didn't want to be here, where we are now, but we are where we are and we've got to make the best of it. And one of the chinks of light, it seems to me, is that, going forward from here, we can develop a place-based approach to development in Wales that uses a more capacious set of metrics about well-being, for example, which are linked to economic indicators, but they're not reducible to economic indicators. That's quite important, it seems to me, given future generations legislation and our sustainability commitments. So, in answer to your question, 'Are we measuring the right things?', we have tended to measure in a very economic way, and I believe that we need to have a broader definition of development and well-being, going forward.

[113] **Mark Isherwood:** Do you wish to comment on that or—?

[114] **Dr Woolford:** I think that, for example, in terms of outcomes, there are many different things that we could look at as well. So, I think it's very valid to say that it's had a positive impact in terms of employment rates. So, we have to be careful how we look at it. I think that there's potentially some work to be done in terms of looking at what type of interventions, not only in Wales but in other areas, actually do create those more transformational effects. With a smaller amount of money, potentially, can we get—are there certain types of interventions that would be relevant for Wales and that would get the results that we want?

[115] **Mark Isherwood:** I just have a final question on this, linked to that broader transformation agenda. How do you respond to, for instance, the recent work by the Bevan Foundation, but other work on places commissioned by the Welsh Government and the Young Foundation and otherwise, that we need to be moving on, in terms of regenerating communities, from a top-down approach to more of a working-with, asset-based approach at community level?

[116] **Dr Woolford:** I'm not totally sighted on some of the reports that you mention, but, from the perspective of EU structural funds, there has been this sort of move towards this community-led local development, and I think

there are some quite useful models within that that we could look at for Wales. So, it has come from this LEADER approach and having this more locally engaged, participative process. And I think, especially in parts of rural Wales, that could be a step forward. I think we have to be very clear about how we would want any future policy to be managed and at what level, what scale, and who we'd want involved and to govern that policy. And I think that there's a big argument in Wales to look at where this has worked elsewhere, and is a model that could be useful to us.

[117] **David Rees:** Suzy.

[118] **Suzy Davies:** Chair, thank you. I just want to go back to Professor Morgan's figure of 1 per cent, and try to get some perspective on exactly how much money is coming in, and what we should have in terms of expectations of it being transformational. Now, the previous witnesses—. Sorry, I should start by saying that it's still the case, though, that, per capita in Wales, we really get a pretty hefty chunk of money compared to other parts of the UK. And the witnesses who came in previously referred to Scotland, which, per capita, gets a lot less in terms of ESF, but that Government there puts a lot more of Scottish money into all the various projects. Maybe there's a comparison to be drawn there with what we do here, and what possibly we can do as well, because money's limited. However, you suggested that there's more to it than that, because we're talking 40-odd years of—I can't remember your exact words, but development that hasn't worked. What have we been missing then, that we've allowed it to be that length of time before anybody has stepped in and said, 'Look, we've really got to turn this on its head, or do something completely different'. I know you're talking about measuring things in terms of well-being, but, just using those stark economic comparators, we've had a lot money and not achieved as much as other parts of the UK, including those places that were poorer, which did have the same inter-war problems that Wales had, such as Scotland. 'How has Scotland done what we can't do?', I suppose, is what I'm asking, if it's not just about money.

[119] **Professor Morgan:** Well, I think it's useful to have a reference point that is comparable, and I do a lot of work in the Basque Country, for example. That is a comparable economy to Wales, in terms of a heavy industrial base. The Basques have had a more favourable fiscal settlement than us; there is no doubt about that. But it's not just about money, it's about the deployment of that money, how that money has been deployed, and how it has been embedded in a suite of policies that are integrated—a

much more holistic approach to development. So, for example, back in the 1990s, Bilbao was reconstructing its economy in a very sustainable way, investing in connectivity. I came back to Wales in 1990; there was a debate about a metro for south Wales. In 1936, David Marquand's father, Hilary Marquand, wrote a remarkable book called *South Wales Needs a Plan*, and in it was the heart of a regional transit system linking the Valleys with the coast. I think you can say we haven't rushed into that decision. And, therefore, why have these things not happened? I would say, looking at Scotland, looking at the Basque Country, looking at other regions—comparable regions that I work in—that, at the end of the day, it's about a combination of greater political will elsewhere, and greater awareness of the developmental challenge. In the 1960s, we had Singapore delegations coming here to look at economic development; they were much poorer than us. You go to Singapore today, you wouldn't recognise it compared to Wales. So, what has happened in Wales compared to these other places?

16:00

[120] **Suzy Davies:** That's what I'm asking you.

[121] **Professor Morgan:** I would say it's a matter of political will and collective purpose to work together to transform a region economy.

[122] **Suzy Davies:** Are we immersed in risk aversion?

[123] **Professor Morgan:** Well, risk aversion is relative. Many places, you know—. The issue about risk aversion is being risk aware rather than risk averse. If you're working in strong partnerships and spreading risk—de-risking as venture capitalists say—then you've got a greater opportunity of making big, transformative projects. But you need to work together. Maybe we'll get on to talking about future regional policy and how Government—Welsh Government—the universities and business, for example, can work together, because that's been the secret of the Basque country to my mind.

[124] **David Rees:** We will be getting on to regional policy, don't worry.

[125] **Suzy Davies:** Yes, we will get there. Thank you for your—

[126] **Professor Morgan:** Sorry—a longwinded answer to a good question.

[127] **Suzy Davies:** No, no; it was a helpful one.

[128] **Professor Morgan:** I would say it's a combination of political will on the one hand and a collective sense of purpose to work together to transform a regional economy. So, transformational projects—be it metro, be it university campuses, be it innovation centres—having that ambition to transform something makes a difference in my experience.

[129] **Suzy Davies:** That's helpful, thank you.

[130] **David Rees:** Jeremy.

[131] **Jeremy Miles:** Can I just take that that one step further on the 1 per cent point that Suzy Davies was mentioning? You've also talked about excessively economic measures for economic development in general terms. So, is it your approach, your perspective, that the European money that we have had has been necessary but not sufficient, if you like, or that, actually, given that it's only 1 per cent, it's a bit of a sideshow anyway and the reality of what we need to be doing is something actually quite different? What role does the money play in the broader picture that you're describing now?

[132] **Professor Morgan:** I don't want to seem to suggest that the money's unimportant. The money is very important, but it could have a greater effect were it to be deployed in an integrated way with other policies. I've got examples, when we talk about future regional policy, that can provide some evidence for that. But in terms of, you know, if you take—most of my work is in ERDF priorities 1 and 2, mainly research and innovation. That's what I work with the European Commission on: the design of regional innovation policy. So, if we think about Wales, we have a spectrum of place-based challenges and therefore we need horses for courses, place-based policies, to address that. At one end of the spectrum, I would suggest, are the challenges of priority 1 in ERDF. How do we generate a more sustainable, resilient, knowledge-based economy based on innovation, working with business, Government and universities? That's at one end of that place-based spectrum. At the other end of the spectrum, I think, we've probably got policies like Communities First—Communities First 2.0—but thinking about employability, early years, those new themes that Carl Sargeant has talked about. Eluned has launched an initiative—long overdue, in my view, and the right kind of thing to do—what are we doing for rural Wales? The development narratives in Wales have been dominated by city regions in the south, the growth partnership in the north, and, in a sense, we haven't done

much innovative thinking about rural Wales. We used to have a development board for rural Wales many, many years ago, which had a fairly good track record, I thought. But we don't seem to have been innovative in terms of coming up with thinking about rural areas. Jayne lives in Brecon, so she'll have a stronger perspective on this than me.

[133] **Dr Woolford:** I don't have that much to add, actually. As I said previously, I really firmly believe in terms of the policy being devolved—especially in these rural areas—and actually getting that engagement, getting that participation and the ownership. So, I think, as we're at a point now where everything's going to be thrown up in the air and we can pick and choose and sort of decide what to do, I think this really needs to be addressed. One thing I mentioned within my paper was, actually, the figures for Powys, for example, that really show the impact of structural funds on Powys. Powys has gone backwards economically and, in fact, perhaps should have been included in an Objective 1 area, but couldn't be because of the population criteria or other things. So, it's actually lost out and was sort of a scapegoat almost of Objective 1, the west-east divide. So, I think that there are huge issues around rural Wales and definitely in terms of—if the policy can be devolved and have that local ownership.

[134] **David Rees:** Before we move on to the future, and I will move on to the future in a second, two questions from myself. Based upon what you've said, have structural funds or the importance of structural funds been overhyped? Because it is a small percentage. Have they been overhyped, in a sense, looking at the issues?

[135] **Professor Morgan:** I would say so.

[136] **David Rees:** And, based upon that, perhaps—we've discussed very much about the future guarantee from the UK Government for funding and the programmes and what we could or could not lose. Should we be focusing far more upon where we go next rather than worrying about what happens to the existing programmes?

[137] **Professor Morgan:** Can I—?

[138] **David Rees:** Professor Morgan.

[139] **Professor Morgan:** I haven't been privy to any of the discussions in Welsh Government or the National Assembly on these issues. But, from our

own work in the European Union with the Commission, I would say that there are three fundamental issues as we approach Brexit and the transition to think strategically about. There's the issue about funds, which are very important. We need to be assured that the money that is currently flowing from Brussels gets underwritten from the public purse in the UK. There's absolutely no doubt about that, and we need to be very, very clear that that money is important. It was promised to us in the referendum and we need to hold people who wanted to leave to account for that.

[140] Secondly—. And I fear that's hogged all the limelight, that issue, the money. But, for me, there's also the issue of powers, the repatriation of powers. When they come back from Brussels, as it were, how are they then allocated between Whitehall and Wales? We have to be clear that we need the powers to do the job, but we also need to be careful, it seems to me, that the powers that are devolved, the responsibilities that are devolved, also come with resources. We don't want responsibilities without resources. That's a very, very important issue. You can see it in the city regions—not just in England but also in Wales as well—where things are being devolved now to Manchester on health and social care way, way, way beyond the budgets that are also coming attached to that. So, we need to be very, very careful.

[141] The third issue with the transition is what we're talking about now, Chair, about how you design a robust regional policy—or a place-based policy, I should say, because of the different spatial scales that are involved here. How do we design a robust place-based policy to address the spectrum of challenges that we face in Wales? There I fear we are too parochial and self-referential and we're not aware of what works well and why elsewhere in the world, particularly in Europe. I've learnt a lot from the Basques over the last 20 years. They put an enormous amount of effort and resource into horizon scanning, into monitoring good practice elsewhere. That's why I'm working with the Basque Government. I'm part of that process of importing experiences from elsewhere in Europe into the Basque Country, and I hope that we would do that as well.

[142] **David Rees:** Dr Woolford, any comments? Then I've got a couple of people I will bring in. Anything else to add?

[143] **Dr Woolford:** I think that you're right that what's most important, potentially, is to look at the future policy and what we want it to do. I think we would not be doing our jobs, though, if we weren't looking at the current programmes and saying we should be committing and spending as much as

possible before we leave, because we don't know what the financial package will be afterwards. So, I think there's a really strong argument for checking that we've got as much commitment as possible prior to Brexit day, so that, in fact, the Government guarantee covers as much funding in Wales as possible.

[144] The only other thing I would say is that, in fact, when they've looked at the impact of taking away structural funds, so moving from Objective 1 to Objective 2 or convergence to competitiveness, then, in fact, the impact of the reduction from the highest level of funding, the highest intensity of funding, to a lower level is actually quite significant. So, I think we might need to be aware of that in terms of what we do moving forward. So, if the same package of funding isn't available for west Wales, we need to make sure that the future funding arrangements or the future policy picks up the areas that are going to need the most attention. I think there's also a case, to some degree, for the fact that we aren't going to know the exact implications of Brexit on different sectors in different areas of the economy. So, I think we're going to need a lot of flexibility in whatever mechanisms we have to make sure that we can—if, suddenly, port areas have a big impact, because of leaving the customs union, or there might be certain areas where, suddenly, there's an impact that we didn't foresee. So, I think we need some flexibility as well.

[145] **David Rees:** Thank you. I want to move on to future regional policy. I'll start off with Dawn and then bring Eluned in.

[146] **Dawn Bowden:** Thank you, Chair. I think, to a large extent, a lot of this has actually been covered. We've kind of drifted into it through other things. So, I think I'm hearing from you both, loud and clear, that you do think there is a clear case for us to have a regional policy, albeit different to what we've had previously. So, what do you think would be the potential benefits—perhaps just expand a bit more on what you were saying earlier—of rethinking a regional policy? What could we do differently that would be more effective this time round?

[147] **Professor Morgan:** I think it's useful to start with some foundational principles. The work that I've been doing with the Commission, working with different regions—whatever the regional context, you need these principles to agree, and I'm sure you've discussed them yourselves. They're the usual ones. We need clarity, we need simplicity, I think we need continuity and then synergy, efficacy and flexibility. I would say those six are core and, of course,



there are some trade-offs, aren't there, between them. Flexibility means we have to sometimes change, so that compromises some continuity. But you need strong feedback.

[148] We don't do enough monitoring and evaluation of our policies in Wales to create an evidence base to show us what works where and why. We really need a robust evidence base for that, especially now, as we've got this once-in-a-lifetime opportunity to design a new policy that is locally attuned. European structural funds—a lot of good things went on, in my view, in the design, but they were hugely over-prescriptive.

[149] **Dawn Bowden:** And we only had them for a relatively short time, as well.

[150] **Professor Morgan:** Hugely over-prescriptive. So, this gives us an opportunity now for designing a place-based policy that is attuned to different circumstances, on the one hand, but also drawing on good practice from elsewhere. Those are the two things that I would say make me feel optimistic about Wales, if we do both of these things properly. Jayne has got much more experience of designing policy than I have. Did you want—?

[151] **Dr Woolford:** I've got a few thoughts. [*Laughter.*]

[152] **Dawn Bowden:** How long have we got?

[153] **Dr Woolford:** I agree with most of what Professor Morgan says, really: that it's very much about synergy, and I think we should be looking at mainstreaming this funding much more and actually making it more holistic with the different departments of Welsh Government. It doesn't need, any longer, to be out in a separate organisation, at arm's length; it can be part of Welsh Government. I would say that it's an opportunity to look at eligible costs, to look at the different actors and how they're involved, different ways of governing and different types of partnerships. You can start from the beginning and every single aspect could be looked at in a different way in terms of decision making, the approach and the design. So, I think it's a fantastic opportunity—

[154] **Dawn Bowden:** [*Inaudible.*]

[155] **Dr Woolford:** Yes, and I think the first one that's obvious is to get rid of the east Wales divide and to get rid of these very unnatural—anything

that's been imposed through those EU regulations. But, at the same time, there are things we might want to keep. Off the top of my head, I can't think of one, but I'm sure that—

[156] **Dawn Bowden:** Obviously, there are plenty of opportunities, I think. We can see that potential. What would be, in your view, the main threats from developing new regional policies?

[157] **Dr Woolford:** From my perspective, it's very much that you could lose that multiannual perspective, so you lose that guarantee of funding for a certain number of years. So, in terms of your strategic approach, you don't want that it's subject to political whim or to a new Government. To have that seven to nine years period where you've got that guarantee that that funding is for Wales and it is for local and regional development—I don't think we're going to get that again.

[158] **Dawn Bowden:** Okay. Anything you want to add?

[159] **Professor Morgan:** That multiannual approach is one of the good things, it seems to me, about the design of the structural funds. It was based on some good, golden principles: the multiannual nature of it and the partnership model, for example. These are good things that we need to build on rather than jettison. So, that would be a good way forward for me. Again, it comes back to the evidence base. What suits our circumstances? What are we going to retain and what are we going to discard? Hopefully that will be part of the process as Welsh Government with its partners goes forward in a spirit of co-production, if you will.

16:15

[160] **Dawn Bowden:** Okay. That's fine—thank you, Chair.

[161] **David Rees:** Eluned.

[162] **Eluned Morgan:** I'd like to ask about regional policy on a UK basis, and to what extent we should be doing it as a UK, or whether we just say, 'Just give us the money and we'll sort ourselves out'. Because that seems to be the approach Welsh Government has asked for. They've said, 'We'll just have an adjustment to the block grant and leave it to us'. Is there any scenario where we could do better by having a UK Government regional policy where we'd do better financially than just saying, 'Give us the EU money that we're eligible

for now, and long may that continue’?

[163] **Dr Woolford:** I don't have anything to say on this.

[164] **Professor Morgan:** I'm honestly agnostic, believe it or not, Eluned, about that. My biggest fear is that, if the cohesion fund—the pot, if you will—moves from Brussels to London, I would be very concerned about how long that pot would last in London. I'll tell you why: because whatever criticism one makes of the Commission, a commitment to cohesion policy is in its DNA. Even the wildest Europhobe would have to admit that cohesion policy is in the Commission's DNA. It is totally and utterly committed to cohesion. Why? Because that was the compensating mechanism politically for the single market, as you'll remember very well. So, it's there as part of a twin-track strategy. If you think, going forward, that that pot moves to Whitehall, in a Government that is committed to a kind of pre-Keynesian creed of austerity, I have no faith that that pot would long last in Whitehall, and therefore it is the longevity and sustainability and resilience of that commitment that would worry me. So, I would want us to be in control of our destiny as much as possible in Wales, but without being treated like mugs—that we'd gone for responsibilities without resources. That is the greatest challenge of all for Welsh Government: to get powers, but underwritten by resources, and then hopefully we've got the wit and the wherewithal in Wales—because we're not dumb as a people—to work better together to deploy that money to better effect than either London or Brussels could have done. Sorry, that's a rather long-winded answer, but—

[165] **Eluned Morgan:** The last witnesses suggested that, whilst that might make sense, to have that kind of pot of money come over, the danger might be that, if it was then Barnettised from then on, actually what we'd see is a diminishing amount of money over time. Do you concur with that?

[166] **Professor Morgan:** I totally buy that.

[167] **Eluned Morgan:** But that probably looks like the best option for us—is that the best possibility? You can't imagine a situation where you just don't think it's worth taking the political risk to say, 'We will allow you on an objective basis to determine where and how regional funding is deployed within the UK'. You just wouldn't trust—

[168] **Professor Morgan:** I personally would have no trust in a Government that's committed to austerity when the Institute for Fiscal Studies is now

saying that the big hit may not be Brexit, but three Parliaments of austerity. That's what's really going to gut our communities, and being more dependent on the public purse than any other nation—in Great Britain at least—this creates enormous threats for us in Wales. I don't know if you'd share that, Jayne.

[169] **Dr Woolford:** I do. I think from my perspective there is a value to having objective criteria at UK level—that we get a pot of money that comes with the same criteria that the European money came with. It's not subject to Barnett, it's on top. So, from my perspective, if it means objective criteria at UK level, then presumably it would have to be agreed by the devolved administrations, but then you would hope that we would have autonomy within that, as Wales, to be able to say what we wanted to use it on. But I think it's crucial it doesn't go through Barnett.

[170] **David Rees:** Can I ask a question before Suzy comes in? If there is an element of funding like that to be decided, are you talking about a needs-based calculation to identify the amount of funding? Because the previous witnesses talked about a needs-based focus to an extent, and to look to the German example of financial equalisation, in one sense.

[171] **Professor Morgan:** I think we have to make a distinction, Chair, between those programmes that are needs based—and Wales will obviously do well, sadly, out of those, because our needs are so much greater relative to other parts of the United Kingdom—and programmes a bit like the framework funds, or Innovate UK. Sometimes in Wales, you encounter an attitude—I've encountered it quite a lot, to tell you the truth—where people will say 'We're not getting our fair share of framework funds' or 'We're not getting our fair share of Innovate UK.' There's no such thing as a fair share, because it's not based on need, it's based on excellence. I was asked to chair the smart specialisation strategy for Wales, and when we took evidence from Innovate UK, I pressed the representative and said 'Why does Wales do so badly on Innovate UK funds compared to other parts of England and to Scotland?' And he was rather coy in answering, and we pressed him, and he said, 'Because the quality of your applications is very poor.'

[172] And when we dug deeper and looked at Scotland, the Scottish Government were investing in making bids, putting together universities with industrial clusters, working with those bids to work up the quality of the bid. We weren't doing anything of that. We were like happy amateurs making bids to Innovate UK. I say that because a needs-based formula would have no

traction whatsoever on these programmes, which are based on excellence, like framework funds, and we'll have to have something that like that, particularly for our research and innovation programmes. So, I think we need to be smart here and say 'Let's get the most out of the needs-based formula, but let's raise our game, so that we can at least punch our weight on excellence.'

[173] **David Rees:** Suzy.

[174] **Suzy Davies:** Thank you. I just wanted to go back to the points that I think both of you made about designing stuff from the point of view of principles from now on, because I have to say I was a little bit worried that one of the responses you gave to Eluned was that you would come to a conclusion based on the possibility of 18 years of austerity before us with the UK Government. I'm going to ask you to reconsider the question if there were a different Government in the UK. I appreciate Brexit is happening now, but if there were a completely different colour Government in the UK now, would you be still answering some of the questions we've asked you today in the same way?

[175] **Professor Morgan:** Personally, I think so, because we live in democracies. Governments come and go. You can never make one Government beholden to the commitments of the previous Government. So, I would be afraid of putting so much part of our destiny in the control of the hands of other people. So, the more we can control our own destiny within Wales, the better, but we need to work, from our own perspective—. I'm a British federal socialist, just to get my labels out there on the table—

[176] **Suzy Davies:** I think we noticed.

[177] **Professor Morgan:** And therefore I believe in quite major forms of devolution within the United Kingdom. But the more we can attune policies to our own local circumstances, the better, and then work in the UK for things that merit UK-wide working. But the pot of money worries me in Whitehall.

[178] **Suzy Davies:** Okay. Regardless of colour. So that was the answer to Eluned's question, then. Great, thank you. That's all I wanted to double-check.

[179] **David Rees:** Michelle, you've got questions on the future.

[180] **Michelle Brown:** All my questions have been answered, so thank you very much.

[181] **David Rees:** Jeremy on best practice, or future.

[182] **Jeremy Miles:** I think I may know your answer, Professor Morgan, in terms of parts of the world we should look to for inspiration as to where regional policy has worked very well, either within or outside Europe, actually. I'll ask you both the same question, if I may. Where would you suggest that we look?

[183] **Professor Morgan:** Personally, most of my work has been done with the European Commission working in the Basque Country, and working with German Länder. So, I've done a lot of work in Baden-Württemberg. Stuttgart is Cardiff's twin, for example, which is probably one of the most advanced regions in the world. It's the region of Porsche, Bosch, Daimler-Benz, and so on, and so on. So, an auto region, but very advanced materials are now moving into sustainability in a big way—much like we are, only on a different scale. And, in the Basque Country, and I'm doing a lot of work in really lagging regions such as north-east Romania, the poorest region in the EU, which is doing very, very well about orchestrating its players. These are the lessons, I think. I'm not here to defend my sector, because my sector is as complicit as any other sector in what's happened, but I would say we're missing a trick in not knitting the universities better into the fabric of society.

[184] Chair, if I could give just one example of that. Education policy in Wales is totally disconnected from innovation and development policy. In the little niche that I work, which is priority 1 in the European regional development fund—I do a lot of my work in there; research and innovation strategies—we are uniquely disadvantaged in Wales in terms of the funding of innovation and engagement. We're trying to promote university collaboration with business and with civil society on societal challenges, and yet education policy is taking away those budgets that funded that. For example, England has a higher education innovation fund, Scotland has its knowledge transfer fund and the Higher Education Funding Council for Wales has cut entirely everything—zero. We are the only nation in the United Kingdom without an innovation and engagement budget to promote the collaboration of universities and business and Government, which lies at the heart of the Innovation Wales strategy for smart specialisation. So, you've got an economic development strategy over here that is being completely

undermined by an education policy over here. That would never happen in the Basque Country, Chair, if I put it bluntly like that. It would never happen like that. And those are the things going forward that worry me about us getting our act together post Brexit. If we can't get those things right, that worries the life out of me, to be honest. Sorry, Jayne.

[185] **Dr Woolford:** I have very little to add, actually. I'm very keen to see an approach to regional development that includes a rural dimension, so to not have this divide anymore between regional development programmes and then rural programmes on another side. We've got the opportunity to bring that together, and I think that Norway is an example of that. But, at the same time, they use a lot of other levers as well, and so we need to be exploring some of these other options that aren't strictly just about regional policy and subsidies.

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

[187] **David Rees:** In the previous session, Jeremy Miles asked a question as to, perhaps, the status of our regions compared to the UK, where we are a poor region within a wealthy nation, whereas across Europe there are other regions that are poor regions within poor nations. Is that a disadvantage to us in one sense, in that we're always going to have this big gap to try and catch up, so our comparator—it's always going to be difficult to narrow?

[188] **Professor Morgan:** Yes, I think that's inevitable, as we live in the United Kingdom. There are two attitudes to London. There are those who compare ourselves with London and say, 'London gets too much—we must get some of it' or those who say, 'It's a fact of life—it's a global city'. My own view is that it's a global city and we must take advantage of our proximity and raise our game to take advantage of that, and that's very important. But whenever we're compared with London or the south-east, we will always be a laggard—we will never be a leader—and we need to understand that, because we're not comparing like with like, are we? Therefore, we need a different mindset about what we are good at in Wales and how we are going to make those resources pay better dividends for us, bearing in mind what we said at the beginning about a set of metrics where we begin to measure well-being, rather than just income per capita. That's very important, in the light—. My foreign students are enormously impressed with our well-being of future generations legislation. It's one of the things that makes Wales distinctive. We've now got to walk the talk, if you like, on that. We had the wit to design it, now we've got to deliver it, and I see, post Brexit, an opportunity to do

this, if we can work together better than we've done in the past.

[189] **David Rees:** When you say 'work together', work together with other nations in the UK?

[190] **Professor Morgan:** Very much so. I always compare ourselves with Scotland and with north-east England, because they are comparable; Scotland is a nation as well, north-east England is an industrial region that is quite comparable—albeit there's rural Wales, but the north-east has its rural areas as well.

16:30

[191] Chair, the last point I'd make is that, you know, we're moving to an era now where we need to see places in terms of interdependence and connectivity, rather than just bounded spaces that need to get their share of the public purse. We've got to see how people move between places and how they depend on each other. This is why I welcome Eluned's initiative on rural Wales—really rethinking the nature of urban-rural interconnection and what we can do to make rural Wales dynamic, as well as the Heads of the Valleys, for example, which suffers from a distance-to-care effect in the Cardiff city region. We can all see what's in the city region for Cardiff, but people in the Heads of the Valley ask me, 'What's in it for the region?', and that's a good question, it seems to me, and we still haven't come up with a great answer.

[192] **David Rees:** So, are we in a position where we should start also looking at the regional policy within Wales?

[193] **Professor Morgan:** Yes, very much so.

[194] **David Rees:** Okay. Mark.

[195] **Mark Isherwood:** I would point out that I think there are parts of north-west England that would self-identify as comparable former industrial areas as well, and hence the focus of north Wales's economic partnership—the growth deal, the growth vision—that is supported by Gwynedd, Ynys Môn and so on and through, because it also addresses rural areas. I just wanted to invite you to acknowledge that working with the universities and the FE sector in north Wales, their strategy is about spreading prosperity west into the rural areas, not just consolidating in the former industrial areas of the north-east.



[196] **Professor Morgan:** Very much so. I apologise if I've been too southern-centric here, but in north-east Wales, my biggest worry of all is Airbus, because when you think of the scale of the dependence of north-east Wales and north-west England on the flows of talent around Airbus and the supply chain linkages, if something went awry on Brexit on that, it would devastate north-east Wales. That would be just like Tata going in south-west Wales. They would take big hits for our economy and it would snuff out the structural funds effect—completely snuff it out almost overnight. That concentrates the mind, I think.

[197] **Mark Isherwood:** This vision is about spreading west; you're absolutely right that the north-east remains critically important, but it's about spreading all the way over into the rural west.

[198] **Professor Morgan:** Indeed. That's why we need more innovative and robust strategies for our rural areas, but you can't treat a rural area as a bounded space; you've got to see how it's linked—its linkages—with elsewhere in Wales and with the wider economy. We need to be better informed about those linkages. This is what the Basques do: they look at the linkages of their places in their export markets. For example, Cardiff and Swansea are in the top-10 cities of Britain in terms of export dependence on Europe—over 60 per cent of their exports go to Europe compared to 48 per cent on average. That would have a devastating effect on Cardiff and Swansea, and would ripple out to their regional hinterlands, if we lose these markets and don't replace them, Chair.

[199] **Mark Isherwood:** I think that they would argue that, by working with both their universities and their FE college groups, that's what they're seeking to do, but they're calling for internal devolution to deliver it.

[200] **David Rees:** On that point, do any Members have any other questions? No. Can I thank you both for attending this afternoon and for the evidence you've given? It's been very helpful and very interesting as well. You will receive a copy of the transcript for any factual inaccuracies. Please let the clerks know if you see anything, so that we can correct it as soon as possible. Once again, thank you very much for your time.

[201] **Professor Morgan:** Okay. Diolch yn fawr.

[202] **Dr Woolford:** Thank you.

16:34

**Papur i'w Nodi**  
**Paper to Note**

[203] **David Rees:** Members, I'd like to move on to item 4 on the agenda. Can we note the letter we've received from the Cabinet Secretary for Finance and Local Government, which provides additional information on structural funding. Are Members happy to note? Thank you for that.

**Cynnig o dan Reol Sefydlog 17.42(vi) i Benderfynu Gwahardd y  
Cyhoedd o Weddill y Cyfarfod**  
**Motion under Standing Order 17.42(vi) to Resolve to Exclude the  
Public for the Remainder of 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.*

[204] **David Rees:** Then, under Standing Order 17.42(vi), we resolve to exclude the public for the remainder of this meeting. Are Members content? They are, so we go into private session.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 16:34.*  
*The public part of the meeting ended at 16:34.*