



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

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Ychwanegol](#)

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

13/03/2017

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Dawn Bowden Bywgraffiad Biography	Llafur Labour
Suzy Davies Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Mark Isherwood Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Steffan Lewis Bywgraffiad Biography	Plaid Cymru The Party of Wales
Jeremy Miles Bywgraffiad Biography	Llafur Labour
Eluned Morgan Bywgraffiad Biography	Llafur Labour
David Rees Bywgraffiad Biography	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)

Eraill yn bresennol
Others in attendance

Ann Beynon	Prifddinas–ranbarth Caerdydd Cardiff Capital Region
Ben Cottam	Ffederasiwn Busnesau Bach Federation of Small Business
Iestyn Davies	Colegau Cymru Colegau Cymru
Yr Athro / Professor Richard Davies	Prifysgolion Cymru Universities Wales
Yr Athro / Professor Colin Riordan	Prifysgolion Cymru Universities Wales

Grant Santos Educ8
 Educ8

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

Rhys Morgan Clerc
 Clerk

Sara Rees Dirprwy Glerc
 Deputy Clerk

Ben Stokes Y Gwasaneth Ymchwil
 Research Service

*Dechreuodd y cyfarfod am 14:05.
The meeting began at 14:05.*

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

[1] **David Rees:** Good afternoon. Can I welcome Members to this afternoon's meeting of the External Affairs and Additional Legislation Committee here at the National Assembly, where we will continue our inquiry into looking at the impacts of the decision to leave the EU upon regional policy? Before we start, could I remind everyone that the meeting is bilingual? Headphones are available for simultaneous translation from Welsh to English on channel 1, or if you require amplification for any reason, then that's available on channel 0. There is no scheduled fire alarm this afternoon, so if one takes place, please follow the directions of the ushers. Can I also remind everyone to either turn their mobile phones off or put them on silent, and any other equipment that may interfere with the broadcasting? We've received no apologies, but Mark Isherwood has indicated that, unfortunately, he has a delayed train and may be late.

14:06

Ymchwiliad i Bolisi Rhanbarthol: Beth Nesaf i Gymru?—Sesiwn

Dystiolaeth 6

Inquiry into Regional Policy: What Next for Wales?—Evidence Session 6

[2] **David Rees:** We move on to our next item on the agenda, which is our first evidence session this afternoon, and can I welcome representatives of Universities Wales and Colegau Cymru? Perhaps you could introduce yourselves.

[3] **Professor Davies:** I'm Richard Davies, vice-chancellor of Swansea University, but chair of the group that oversees the higher education office in Brussels.

[4] **Professor Riordan:** I'm Colin Riordan, vice-chancellor of Cardiff University and chair of Universities Wales.

[5] **Mr Davies:** Prynhawn da. Iestyn **Mr Davies:** Good afternoon. Iestyn Davies, prif weithredwr Colegau Davies, chief executive of Colleges Cymru. Wales.

[6] **David Rees:** Thank you very much for that, and thank you for coming this afternoon. Clearly, it's an important area for our education sector, because I know that higher education and further education have been very much involved in using structural funds for skills areas, development and training, and other aspects of skills. So, perhaps I can start off by asking, perhaps the two sections, whichever one of you from Universities Wales wishes to speak, as to how you see the implications for regional policy and regional policy funding as a consequence of the decision to leave the EU. It's not been highlighted much in the negotiations as of yet, but clearly at this point in time we know that in two years' time, it's likely that we'll be leaving the EU and, as a consequence, there will be some serious implications for that funding. So, how do you see the current situation and where it's going to develop? Iestyn, do you want to start?

[7] **Mr Davies:** Yes. From the point of view of Colleges Wales and our 14 further education institutions in Wales, it's clear that it's going to be an immediate challenge to some of the programmes they run. I think the greatest challenge is going to come in the area of work-based learning, or what we would commonly know as apprenticeships, and that is largely funded, as it stands, by the European social fund in the form of a matched

grant, which then gets tendered. Further education institutions and, indeed, private training providers obviously are going to be directly impacted by those changes.

[8] Some of the ancillary programmes that often support the learner journey, if you like, particularly for those who haven't been able to take the best advantage of learning in their younger and more formative years, some of those programmes clearly are European social fund funded. I suppose there's a concern about what that will do to skills progression for those in work and for those out of work.

[9] We did a piece of work for Welsh Government about five or six months ago, looking at the direct financial impact, and we would say that this is roughly between £50 million plus per year into the FE skills sector through a various number of sources. Again, Chair, if you would value a copy of that report, I'm sure your colleagues in Welsh Government would have no problem with us making that report available to you. That includes projects around employability—as I say, getting those back into work—apprenticeships and work-based learning, but it also includes things like Erasmus+ and mobility—the other kinds of marginal funds that support beneficiaries in this area of activity to have a much richer experience of work-based learning and vocational education more widely. So, I think to say 'deeply concerned' is an understatement.

[10] However, I think we do recognise—and maybe it's for discussion a little bit later on—there could be some opportunities arising from this difficult situation, but whatever they are, it's important that we actually grasp them vigorously, muscularly, and actually take them forward, and allow ourselves to get the best possible deal we can for our learners out of this very difficult situation.

[11] **David Rees:** Thank you. Professor Riordan.

[12] **Professor Riordan:** Well, if we're talking about structural funds—because of course, as far as we're concerned, the Horizon 2020 is one portion of it, and the structural funds are another—on the structural funds, what the Welsh European Funding Office funding has done, in many ways, is enable us to continue the kinds of investments that you need to make as universities, particularly in the absence of capital funding, which declined very dramatically after the period of austerity started to make itself felt. I think it is going to be important to find ways to replace that structural

funding. I know that there was—and it's been very welcome—an almost immediate statement, I think, by the First Minister on that subject after the vote was held, and that's been reinforced ever since then.

[13] We haven't really heard any detail yet, or indeed, as far as I can tell, very much discussion about the structural funds part of it, but it is pretty critical to Welsh universities. A list I've got in front of me shows £20 million for Aberystwyth University; £40 million for Swansea; a BEACON project between Aberystwyth, Bangor and Swansea, £10.6 million; £4 million for Cardiff. These are large sums of money that are going into areas that will help to promote prosperity into the future for Wales. So, I think all I can do is really stress the importance of this funding, and we need to explore ways in which it can be replaced.

[14] **David Rees:** Okay, thank you for that introduction section. Suzy.

[15] **Suzy Davies:** Yes, I think you're quite right that we don't really know what the future might look like as part of this inquiry, but perhaps you can give us a bit of steer on what you think at the moment. Do you have any concerns about 2019 into 2020—whether the UK Government's guarantee is strong enough? What are your views on that at the moment?

[16] **Professor Riordan:** I would imagine that if the UK Government is giving a guarantee, I would normally accept that to be something to be relied on. We certainly are relying on that. We've been told on the Horizon 2020 side that any projects signed and agreed before we leave will continue to be funded through to 2023, so that does give us some breathing space of five or six years. But as for structural funds, as far as I understand it, there isn't a guarantee on that.

[17] **Professor Davies:** I think there has been a guarantee and, again, I think we believe that that will be honoured. I think there was a get-out-of-jail-free card attached as a qualification, but I think most people's view is that it will be fully honoured. So, right until the end of the current funding period, all the projects will be fully funded, either from Europe or from the Exchequer.

[18] **Mr Davies:** I think, Chair, the important thing to note is that it is my understanding that the guarantee—and please correct me if I'm wrong—is for funding for projects that have been agreed rather than the full entirety of the funds in the pot, so to speak. One of the things that hasn't been guaranteed, of course, is what's known as the n+ calculation. So, a seven-

year programme generally can run up to three years post the seven-year programme, hence why our calculations for the previous round have been calculated as 10 year x £50 million, because you have £0.5 billion of funds, if you like, that were spent in the last programme. So, my concern would be: will the lack of a guarantee for n+, and indeed those projects that are not being agreed at this point in time, limit the scope and the extent of programmes as they currently stand? Sponsors or partners are nervous about entering into any commitments because they don't know what's going to happen after 2020.

[19] So, yes, it's good to have a guarantee, but I think we would all hopefully agree that some form of regional assistance, albeit from the Treasury as opposed to from the European Commission, needs to happen not simply because we are indulging in some sort of special pleading on Wales's behalf, but because the UK as a whole remains a very divided and very different country depending on where you sit. If you're sitting in London at this point in time, or indeed parts of Cardiff, it looks very different than if you're sitting in parts of the former industrial north, and we anticipate, obviously, that there's going to be a move towards economic redevelopment shifting to a supra-regional basis—you know, concepts such as the Northern Powerhouse—and I think it's important that we actually start to make the case for effective regional assistance from the UK Treasury, not just for Wales, but for the whole of the UK, and indeed to ensure that Wales's needs are understood in that context, going forward, because the Wales of a post Brexit—[*Interruption.*—indeed, the UK of a post Brexit could look very, very different—[*Interruption.*—to the way it looks just now. Someone's very popular.

14:15

[20] **Suzy Davies:** Sorry, this thing's tweeting at me. On the basis of what you've just said, though, and you're talking about some sort of regional assistance, are you talking about that in the short term, or pretty much the model we have at the moment, or—I don't want to trample on other questions here—do you favour a longer look of the equivalent thing that we have at the moment?

[21] **Mr Davies:** I think if the UK union stands for anything, it stands for creating a fair and prosperous United Kingdom across all its various regions and sub-regions. I think any Government launching a programme that doesn't take that on board is, essentially, conceding the point that

separatism will not end at the last referendum. So, I think if the UK Government is sincere and legitimate in its case for wanting to create and hold together a UK union, then it needs to commit to long-term structural support—

[22] **Suzy Davies:** I specifically meant for the endgame question. If you've got concerns about that, do you just want to see business as usual until 2023, or do you think we should go on—?

[23] **Mr Davies:** I don't think anybody, even those of us who are supportive of WEFO and the European structural funds programmes as we've come to know them over decades, would say they were perfect. If anything, they were far from perfect—

[24] **Suzy Davies:** Oh, good, because that's what I'm going to ask you next. *[Laughter.]*

[25] **Mr Davies:** So, this is the opportunity to look at how we can do intelligent regional structural support and assistance and actually plan for the long term. Perhaps to finish my thoughts, what I would say is that when we invest in capital programmes as part of regional restructuring, be it HS2 or, indeed, other proposed projects closer to home in Wales, we invest for the long term and we expect to see a return on that investment in decades, not in terms of life-cycles of programmes. So, I think any view that we have about economic regional assistance needs to take that longer term view. Seven years is a very, very short time, and often, within programmes, programmes can be up to three years-plus, perhaps. That's a blinking of an eye in terms of economic development and regional structural support and assistance. So, my argument would be we need to finish this programme well and then work with the UK Government to have a much more nuanced policy, going forward, that is linked much better to regional policies, say, for instance, here in Wales and the regions of England, but also to a UK-wide industrial strategy, as well.

[26] **Suzy Davies:** That's a very helpful answer, and I'm sure you'll be asked to develop that a little bit. Just to finish off on—I think you mentioned we need to finish the existing programme well. What conversations are all of you having at the moment with WEFO to help you bring those programmes to a satisfactory conclusion? Do you get a sense, or perhaps I can ask you within the same question whether, over the last several years, you've felt that the structuring of what WEFO has to deliver—the instructions from the

Commission, basically, about the approaches that must be taken to regional policy—constrained you in any way? I didn't get the impression you did in your earlier answer. So, first of all, how do we finish off these projects well?

[27] **David Rees:** Professor Davies.

[28] **Professor Davies:** Please. I would really want to emphasise, first of all, however, that I sit on the programme monitoring committee for structural and innovation funds in Wales and, therefore, have an internal role. But I can't imagine there are many people who think that the structural funding system has worked particularly well in terms of the big picture for Wales. It's alleviated all sorts of problems and, no doubt, Wales would be in a worse position without it than it has been with it, and there's no doubt at all that WEFO works assiduously within the rules to get maximum benefit from the funding that it has. I'm a great supporter of WEFO.

[29] However, if you just look at the evidence, productivity in Wales has plateaued for the last 20 years, while it was increasing across the rest of the UK. Post Brexit, if we are to compete globally, then we need higher levels of productivity to be able to sell goods and sell services, so we are in a very poor position. So, I would see this around the fact that Brexit is creating challenges, and substituting different mechanisms for some of the things that we value in some of those challenges, but there are also opportunities, and the opportunity to rethink the way we do regional policy, to address these key structural problems that don't seem to be changing at all at present. For example, if you take productivity, all the books say, productivity, you drive it up with technology about 50 per cent, and you drive it up through leadership and management about 50 per cent. So, we've got a role in universities to up our game to address those sorts of big challenges with other partners in Wales. So, I think we have to change.

[30] **David Rees:** Do you think, therefore—? Sorry, Suzy.

[31] **Suzy Davies:** No, that's fine.

[32] **David Rees:** Do you think, therefore, that there's been too much emphasis on the use of structural funds to actually improve the economic wealth of the nation and not enough put in as a parallel to accompany that to ensure that the structural funds element is supported by another strategy that drives it all together?

[33] **Professor Davies:** Well, I think, trying to stand back from the issues—and I'm not an expert in regional development—it looks to me as though you've got a strange mixture of top-down with Government policies and bottom-up, where a lot of the projects are funded on a response-mode basis: in other words, individual groups or companies or universities or the Government itself submits a project. Where is the vision behind all of those? Where's the big strategic picture where everything is adding value to everything else? That's really very difficult to achieve. I think, within the city regions, work has started on that, so there are some promising things happening, but I think, probably, there does need to be a bigger vision and a bigger realisation of what Government can do and a bigger realisation of what universities can do if we're challenged—you know, 'Will you deliver this for Wales?' Nobody's said that to me.

[34] **David Rees:** Professor Riordan, do you concur with that?

[35] **Professor Riordan:** I absolutely agree. The opportunity would be to say, 'Look: let's have a coherent approach now to regional development'. We have two city regions. My personal view is that it would be better if we had one large one for south Wales, but we have two and that's fine; that'll work. But can we have a coherent sense of how we work in terms of skills, innovation and connectivity, which are the things you have to do, really, to get right—connectivity being both transport, but also digital connectivity—clearly providing a sort of ecosystem for innovation and focusing on providing the right kinds of skills we need?

[36] Now, it's pretty clear what it is that we have to do; it's how we do it. Would there be a way, as Richard has been indicating, of having a strategic approach to that, rather than the project-driven one that we've had so far? Having said that, the project-driven approach has actually been important for universities in lots of ways, because we just haven't had access to capital unless we've gone out and borrowed it. Because either you go out and borrow the money, or there's Welsh European Funding Office funding, and that's your capital—or whatever you've got in reserves. And that's a hugely limiting factor in terms of being able to be competitive institutions for Wales. So, I think we've got to think about that part as well. If we as universities are starved—I know it sounds like special pleading, but it is just a fact that if we are starved of capital that will put us at a disadvantage and it'll be more difficult for us to contribute to this agenda in the way that, as Richard describes, we should be doing.

[37] **David Rees:** lestyn.

[38] **Mr Davies:** I don't think anybody needs an invitation to come to support Wales in terms of improving its economic circumstances. I'm not quite sure if I get what Richard was saying there, but I don't think colleges have had an invitation to do that. It's something they do by virtue of them being community and grounded institutions, I suppose, closely aligned to their local businesses and local public services.

[39] But, ultimately, if you ask me the question—you know, what's my view on economic policy, where it stands—my answer would be, 'Well, where do I start?' I'm probably less inclined to be supportive of the current economic orthodoxy, which says that if we throw big lumps of money at big trophy projects in key areas then, all of a sudden, economic prosperity will rush into those areas like air into a vacuum. So, I think it's really a question of where do we want to start, how do we build sure foundations in our societies and communities of good, low-level—high-quality, but low-level—skills. So, having something that's low level, but high quality. And it's not an oxymoron; you can excel at being low level as well as you can excel at being high level. How do we get a sure foundation within what we know now as the foundational economy? How do we then use that to build support around growing and addressing the missing Mittelstand of companies that we have in Wales? Again, that's not to any detriment or in competition with cutting-edge research that goes on in the universities. It's about a complementary approach. But I do think that we have indulged over the last years in Wales in a kind of—yes, it is top-down, I suppose, as Richard was saying; you know, 'Let's have one of these in this area', and we have trophy projects.

[40] Since the demise of the Welsh Development Agency, the ability to cast projects into the public arena has become politicised, so it's very easy to make policy by press release, rather than looking systematically at what's needed. Ultimately, 40 per cent of employment is in the foundational economy, so, if we rule that out of our strategies, if we rule that out of our economic plan, we are taking 40 per cent of employment out of the scope of influence, and actually weakening the foundation that needs support, you know, those growing Mittelstand companies that we so desperately need, let alone the foreign direct investment that needs to come in to sit alongside it. So, I think there's much that we could say about economic policy from a political policy point of view, and that probably far out-shadows any weaknesses that we find inherent and implicit in how WEFO has managed the programmes that have been passed down to them by the EU Commission.

- [41] **David Rees:** Sorry, Suzy, do you want to come in on anything else?
- [42] **Suzy Davies:** No. I think that covers it, actually, particularly that last point. You had slightly different views on it. Thanks.
- [43] **David Rees:** Steffan.
- [44] **Steffan Lewis:** Just quickly, Mr Davies referred repeatedly to trophy projects, I think. Did you have any particular trophy projects in mind, or was that more of an illustrative—
- [45] **Mr Davies:** It's illustrative, but I'm sure if we cast our minds together we can find many projects that we've had—for some reason the word 'technium' seems to come to mind when I think about trophy projects. I'm thinking about large infrastructure projects, as well, which could be transformative, and we were all, I'm sure, supportive of the concept of a metro, both north and south Wales, but, again, the danger is that could become a trophy project. What we don't think about is the skills gaps and the skills supply chains, as well as the unforeseen consequences of causing or further supporting agglomeration in south-east Wales, so we need to think through and beyond the press release and beyond the trophy and say, 'What will this mean for supply chain? What will this mean for second- and third-tier companies? Actually, what will it mean for the supply of labour?' Then, once we've got those building blocks in place and the foundation, we can start to work at higher level skills and the very cutting-edge research that our colleagues from universities carry out on a daily basis on behalf of Wales.
- [46] **Steffan Lewis:** Diolch.
- [47] **David Rees:** Thank you. Eluned, did you want to ask questions on structural funds, and perhaps then the question that we've already been talking about, as to the future type of regional policy?
- [48] **Eluned Morgan:** Yes. I'd like to go back to the point that Iestyn made, really. What we're trying to establish here—the point of what we're trying to do is to (1), yes, make an assessment of has it been successful, but (2) to ask the question: do we want regional policy in future, is it an effective tool, and, if so, what's the best way of doing it? Should we just carry on business as usual, but just Wales decides to determine what the priorities are rather than the European Commission, or do we just say, actually, it hasn't worked that

brilliantly anyway, and we may want to do something significantly different? So, that's the kind of background to what we're trying to do. I just wanted to ask you about—. The Welsh Government has proposed that what we want to see is an increase in the baseline block grant to Wales: so, give us the money that would have come to us had we—. Now, you've just said that you think that we need to make a case in terms of regional policy for the whole of the UK, which is slightly different. I just want to ask you: do you think that a regional policy for the whole of the UK could actually be detrimental to Wales in the sense that we currently get a lot more than lots of the other regions, or do you think that, actually, this approach to just give us the baseline increase is the better way to go?

[49] **Mr Davies:** That is a very, very good and very difficult question to answer. I think, maybe if we'd had the hindsight—you know, back in the days before Objective 1, if we could have predicted not just the flatlining but the decrease in GVA for Wales's region, maybe we would have argued that some form of direct grant into Wales from the European Commission would have been better, which is kind of what you're arguing for in terms of it coming from Treasury straight in the Barnett mailbox into Wales. I genuinely don't think it's who holds the money that's the issue here. I think it's the underpinning philosophy and strategy that we've employed now for over a decade that causes the biggest challenges. Ultimately, I suppose, I'm also making a tactical point. I think we need to accept that the concept of nationhood and the union in the UK is contested—is that the politically correct way of describing it in a broad church such as this? But, ultimately, I think that the first question we have to answer, and the proposition we have to make to the UK Government is actually regional assistance beyond the idea that we'll just do one thing for the whole UK and the market and natural economic forces will come in. I think, once we've won that argument, then we can start to employ the arguments about the locus of that funding and who should control it, where and how. But, ultimately, even if you had it controlled in the right place, potentially, I think our misguided strategy for the economic and regional development in Wales, and the complete lack of an economic and industrial strategy for the last decade, and the politicisation of economic decisions—if we continue in that route, we'll continue to get what we've always got, which, as Richard was pointing out, is a decrease in GVA.

14:30

[50] **Dawn Bowden:** Just on that point, Iestyn, so who would you see having

control of that, then? At what level? The UK-wide Government? Or would it come down to the lowest kind of common denominator, really? Would it be Welsh Government, or even lower than Welsh Government?

[51] **Mr Davies:** Well, I think that there are two prevailing views at the moment, aren't there? There is the regional/national in the context of the UK, and then we have the new regional units called city deals. I don't feel confident or qualified enough to tell you which of those is the best model. I don't think that, without some form of subsidiarity and the sense that, actually, responsibility should lie as close as possible to the people who are going to benefit—. I don't feel qualified to say which will be the best, but, ultimately, what I would perhaps suggest is that, whereas bidding for projects by community groups has been fraught with danger and has led to some of the complications that we've seen in terms of fulfilment of projects over the last three rounds—. The idea that we engage wholeheartedly with the people we are working with—the beneficiaries of projects, be they companies or be they individuals—surely the idea that we engage with those communities is the best place to start. Otherwise, all we'll end up with, of course, is a series of projects where people feel done—

[52] **Dawn Bowden:** So, closer to the point of delivery, really.

[53] **Mr Davies:** The point of delivery, yes. To me, it seems as if that makes the most sense. But, ultimately, my concern is that we get the right available resources to plug what is a very large gap, not just in higher education and further education but more widely in terms of social projects.

[54] **Dawn Bowden:** Sure. Okay.

[55] **David Rees:** Does Universities Wales want to give a view on that? Do you want to give a view on it?

[56] **Professor Riordan:** Well, we think that structural funds should be replaced, just as the Welsh Government has said. It seems the sensible thing to do to transfer what we would have had to WEFO, for that to continue to come to Wales. Otherwise it is going to be a very large gap to fill. We can then have the debate on whether there is some methodology for a proportion of that going to the city regions or should it go to local authorities, or whatever it might be. I think the big question has—. We have to insist that that money continues to come. It's going to be so damaging if it doesn't. If we have to go to Westminster every time we want something, and compete

with all the other regions, that is going to be deeply damaging.

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

[58] **Eluned Morgan:** Okay. So, that's clarified that point. So, just keep the money; you have an increase in the block grant, rather than a kind of wholesale reform of regional policy at UK level.

[59] **Professor Riordan:** Well, yes, I think—. Yes. [*Laughter.*]

[60] **Eluned Morgan:** Okay. No, that's fine. That's fine.

[61] **Mr Davies:** I think, Chair, that you can see that there is a tension there, isn't there? There are certain things that should be dealt with at an EU or UK level. You know, the argument about being part of the EU and strength in a widest possible view has equal parallels to things being done at a higher level at a UK level. So, I don't think that the argument naturally flows that if it was done and money was held locally you'd get better outcomes. Because some of the issues we're trying to deal with here cross borders, they cross communities. So, that's why I am reluctant to give you, I think, other than a very highly qualified 'it should be one way or the other'.

[62] **Professor Riordan:** The thing is that this has all happened so quickly. We haven't really got time to work through all these arguments. It seems to me that, if nothing else, we need to be absolutely clear that we need that money to come to Wales. There could be other arguments to be had about exactly how it's deployed or whether it would be better, at some stage, to move to a more UK-wide—. I think, in the situation we're in, we need to be making that argument very clearly.

[63] **Eluned Morgan:** Okay.

[64] **Professor Davies:** May I say that I accept that entirely? Because, in a competitive situation within the UK, I don't think that there'd be any guarantee that you're going to maintain that level of funding. However, this is the opportunity to sort out a lot of fault lines around the regional policy issues. We can't work, in regional policy, in isolation in Wales, and some of the co-ordination with the rest of the UK is not very good. Just to give you an example, we discovered that a major part of the Rolls-Royce operation was going to move to Germany, and we managed to persuade Rolls-Royce to actually move that to Swansea instead, but that involved the research

councils, which operate on an all-UK basis, it involved UK Government policy on issues to do with Germany and international obligations and commitments, and several other sorts of links. Everything that I understand about successful examples of major regional policy is that it involves large partnerships with government—central, local, regional. The key institutions, such as universities, are always there and FE colleges are there. If you look at East Germany, I mean, that's how it was done. It wasn't just the federal Government doing everything; it was taskforces around all the different organisations that could make things happen. The transformation of Barcelona is another example. You could run through all these examples. So, we are going to need to bring actors together in any plans for the future, but that doesn't alter the fact that to safeguard our interests we should try and argue for the money to come through here.

[65] **David Rees:** Okay. Jeremy.

[66] **Jeremy Miles:** Thank you. Building on that last question, really, I want to look forward now at what a new approach to regional policy might look like—not specifically about the volume of funding and commitments for funding, on which, I think, it's pretty clear there's a broad consensus that we need to maintain as much of that as possible, and have it dealt with in Wales. So, let's just park the funding aspect and look at the structure of policy more broadly. You've talked about the absence of vision, Professor Davies, and I just wonder, from an HE point of view in particular, but perhaps also from the FE point of view, universities have a great strategic capacity and are huge economic actors in their regions, as well as, obviously, their day job of research and teaching, so there's a huge potential there. Could you describe your vision for how you see the HE sector's role in regional economic revival, if you like, in some parts of Wales, and development, perhaps, more broadly?

[67] **Professor Davies:** Certainly. I would respond to that, first of all, by saying there are many very good examples around the world of how higher education has collaborated, working with Government and with companies in big transformational developments, so I think we'd want to work collaboratively. We'd want to be sitting around the table, developing the policies that we were then implementing, and that, I think, is—. It would be quite an important development in Wales—

[68] **Jeremy Miles:** And that isn't happening now—is that what's implicit in what you're saying, or what—?

[69] **Professor Davies:** It's very difficult to track any sort of serious discussions around the vision, the big policies, between Government in Wales and universities. There are a lot of individual conversations around bits and pieces, but I think there is scope for getting the act together. But, first of all, there's got to be some recognition that people have got roles to play and that universities can play a role, and I think we've got to be more open about our willingness to deliver. This is not blaming Government now—all partners have got to engage in a serious, positive conversation, and be willing to bend to be able to make big things happen. So, that would be where I would come from—those sorts of engagements—and then I would certainly spend a lot more time than the European funding allows us to do talking to large multinationals, because a lot of the problem with medium-sized and smaller companies in Wales is that they haven't got people to sell to and they're not part of an ecosystem that is, often, supported and driven by the large companies. You know, they spend more money on training, they spend more money in the region, they procure, they sell in the region, and they create a market for skills, which is important for the smaller companies.

[70] I think we've got limitations in terms of medium-sized companies, but a lot of that comes from lack of large companies as well, and then I think we've got to be willing to engage, as universities, in some of the challenges we haven't necessarily addressed explicitly with Government. One of the big examples I've got is around management and leadership skills, because that, again and again, emerges as a weakness around productivity in business and industry in the UK. We've got all these, you know, what we would claim to be wonderful management schools and business schools. If engineering was failing in Britain in terms of the quality, we'd be asking universities, 'Well, what's gone wrong with your engineering? What's gone wrong with the graduates you're producing? What's gone wrong with the support you're giving to companies?' And I just wonder whether there's a really innovative discussion around that to be had. But that's an example, and I'm throwing this in as an example, not as something the universities of Wales have all agreed together but as an example of something that could be discussed between Government and the universities. But I could list a whole series of things like that but we haven't got time to go through them all here.

[71] **Jeremy Miles:** Professor Riordan.

[72] **Professor Riordan:** If we take innovation as an example of an area that universities are obviously closely involved in, what we've got at the moment are science parks and innovation campuses being built all over, or developed

out all over Wales: Anglesey, Aberystwyth, Swansea, Cardiff—and there are hundreds of millions of pounds being invested, some of which has come from structural funds. But, as far as I'm aware, there isn't any sort of co-ordination of that. There's no way in which one could bring all that together into a sort of, 'This is what the innovation nation Wales is and this is what the future is going to be', which we could then take out to the world and explain to people why they should be coming to Wales and why Wales is important in terms of innovation. So, that's one obvious area to me where we should be developing a vision around the innovation future of Wales, because we're actually doing it but we're all doing it on our own, in a sense.

[73] Now, there are some competitive elements there, so you can sort of see the reason for that, but actually, I don't think it's competition between universities that's affecting that. I think it is just there isn't the vehicle or there's not an organisation, or an approach or a body that would allow us to co-ordinate these efforts and really go out there and show what the offer is. What we could be doing is really trying to bring supply chains closer to home, closer to Wales, or even just closer to the UK. We've got this great partnership with IQE for compound semiconductors, of course, and this is just an example. But they basically make the wafers out of—it's very, very high technology—atom-thick layers of different compounds and elements for compound semiconductors that are then used either in communications, for wireless, computer chips or solar photovoltaic cells. They make them to order. They make the bases and then they're taken off somewhere else to be turned into the chips or into the solar PV cells and then they're taken off somewhere else again, right across the world, to be made into devices, which are then brought back here and sold to us. Now, could we not be looking at a way to create the conditions where companies would rather come and do that here because it's all here now? So, that's just an example, and with a co-ordinated effort we might be able to do it.

[74] **Jeremy Miles:** Thank you for both those answers. So, there's a strategic perspective and then there is a policy perspective as well. From the point of view of your role as significant economic actors in your own sort of regions, in terms of procurement, for example, you are both, previously and currently, I think, involved in significant construction projects as part of campuses, what's your assessment of the potential that universities have to—you mentioned supply chains—develop local supply chains off the back of that sort of project? So, targeting the procurement for a new campus or new innovation centre in a way that may have, and continue to have, building the local and regional economies as a specific part of that remit as an

institution. Is that part of the analysis that you go through?

[75] **Professor Riordan:** It's certainly a discussion we could have once we've left the European Union. Clearly, now, we are bound by the OJEU rules and we abide by those and work with those.

[76] **Jeremy Miles:** But you think there's potential there in future, perhaps?

[77] **Professor Riordan:** There certainly would be.

[78] **Professor Davies:** I wonder if I could add—. I totally agree that we could do a bit more, although a lot can be done, actually, within the EU rules that all the institutions in Wales are doing. If you look at procurement, there are quite a few conditions around the local suppliers and then setting up large meetings with local suppliers in order to raise their ability to tender against projects. All these things are going on with universities. But you can always do more. However, I think—well, I'm absolutely sure that anything we do like that with money we spend is a fraction of what we can achieve by working with companies through their supply chains, through the technology links, so that they can help and support medium-sized and smaller companies actually meet the requirements of the larger companies in terms of quality control, in terms of having the same software for design and manufacturing etcetera, etcetera. That's where we can really add value tremendously to a regional economy.

14:45

[79] **Jeremy Miles:** Okay, thank you.

[80] **Mr Davies:** I think it's probably only fair, actually, having criticised the Welsh Government's economic policy, that I put on record the fact that, personally, and in my role with CollegesWales, the policies being pursued in terms of skills and further education have been, and, indeed, are stronger. Despite a change in ministerial leadership, I think that that, perhaps largely to do with input from opposition parties, has allowed there to be a direction of travel that has persisted, which is about strengthening our skills offer, ensuring that companies large and small can engage together. One of the consequences of reorganisation in further education, and, indeed, the tendering process for work-based learning, is that we have seen FE colleges and private training providers work together with the shared aim of raising the number of apprentices, for instance, or indeed collaborating to bring

more learners into FE colleges via some of the ancillary projects that ESF has funded in particular.

[81] So, I think a consequence of where we've been on skills policy has led to that coming together, and that sense of being in—what's that phrase—being in 'co-ompetition': being both competitive and co-operative at the same time. So, it's trying to raise standards by working together. So, I think that has been a feature of the last five or six years in particular. Quality has increased in terms of outcomes and in terms of inspection reports. I think we will see a continued increase in the quality provided by FE organisations and, indeed, a willingness to work in partnership with the universities, some of which are represented here today, to offer a higher level set of qualifications and skills. So, I think there has been some positives that have come out of the current trend, but I don't think that has been matched on the other side—if you like, on the economic side—by a policy that allows us to put the two halves together. Economic strategy includes both human capital as well as infrastructure capital, all financed by finance.

[82] My observation is this: roughly speaking, about 20 per cent of the population in Wales is economically inactive. Again, that's gone down. So, to say that European structural funds have not hit the mark is not quite right. Those are StatsWales's statistics. So, we have seen a decrease, but 20 per cent of the working population, I believe, is roughly 200,000 to 0.25 million people. Just imagine if there was a town or a city in Wales of that number of people who were disconnected from the physical labour market, if you like—there was no trunk road, no trains, or no metro or no north-south air service to connect those people to economic activity. We would be jumping in with two feet. Politicians would be in hi-vis vests and hard hats or helmets. They would be all over this like there was no tomorrow, as though there was an election coming, to build that connectivity for that town or city—because, you know, what is the population of Swansea? A quarter of a million? You're talking of a group of people commensurate with the second city of Wales. We would be working night and day, 24/7, to link those people into the economy, physically, through infrastructure. But that, in effect, is what we've got. We've got a hard core of people in Wales who are dislocated from the economy and from economic activity. Many—some, perhaps many—will find their way back into economic activity in higher level skills, but the majority will be in low-level foundational activity.

[83] **David Rees:** Can I—? Go on, Eluned.

[84] **Eluned Morgan:** About 0.25 million people had been trained by European structural funds and apprenticeships. Do you see that there's—? The fact is that a lot of those probably voted against the European Union. Do you see that there is a responsibility on organisations like yours to actually inform people where their funding is coming from?

[85] **Mr Davies:** Yes, I don't think there's a building in a university or an FE or HE setting that doesn't have a European blue badge on it. I don't think there are many people who are ignorant of the extent to which European funding had supported their communities. I spent some time with a journalist from *The Guardian* in Llanhilleth, Ebbw Vale, Cwm and various places in the lead-up to the election. I don't think people there were ignorant about European funding. It's just that they perhaps failed to see that connection between that funding and their lived experience.

[86] **Eluned Morgan:** Even the 0.25 million who've actually had direct funding for their training?

[87] **Mr Davies:** I went to an institution where people were trained and people were employed by European projects, and still they were saying, 'I'm voting to leave', such was the disconnect. I can't explain it. It's an irony. It's not a sweet irony; it's a bitter irony, I'm sure, for those who are supportive of European integration. Nevertheless, it shows the extent of the challenge that we have, not only to engage people in employment and training, but to engage them more fully in civic discourse and civic space. Unless we can do that at the same time as actually offering them training and opportunities to re-skill, we will continue to fail in the project of building a sense of civic-ness around Wales, let alone our membership of the European Union. But I digress. Ultimately, there is a significant number of people, at any one time, who are dislocated from the workspace and dislocated from the economy. The question is: where in the Government's economic strategy and industrial strategy does it address that large, city-sized space of people, with a plan to bring them back into employment?

[88] **David Rees:** I'm conscious of time and I'm conscious that Professor Riordan has got to be leaving by 3 o'clock at the latest. My final question then, just to sum up: it sounds, from what we've heard, that the structural funds have been very beneficial to the sectors in terms of being able to undertake their responsibilities and that the loss of those funds would be quite severe for sectors in the future. So, the most important thing is that, whatever comes, somehow, that funding must be maintained. But am I right

in also saying that your concern has been that perhaps there's been a lack of vision as to how that is basically delivered and worked together with an industrial strategy, with a more specific bottom-up strategy to ensure that it's all working together and it's a cohesive package across Wales? Therefore, whatever comes in the future, that's going to be a crucial element. Am I right in that assumption? You're all nodding. I'll put on the record that you're all nodding, so you're all saying 'yes' in that case.

[89] Well, thank you for that. We've come to the end of our time. Can I thank you all for your evidence this afternoon? It's been very interesting. You will receive a copy of the transcript as per normal for any inaccuracies you can correct. Please let us know as soon as possible. Thank you once again very much. I now suggest we have a 10-minute break before the next session.

*Gohiriwyd y cyfarfod rhwng 14:51 a 15:03.
The meeting adjourned between 14:51 and 15:03.*

**Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn
Dystiolaeth 7
Inquiry into Regional Policy—What Next for Wales?—Evidence Session 7**

[90] **David Rees:** Can I welcome Members back to this afternoon's evidence session for the External Affairs and Additional Legislation Committee, and our next witness? Can I welcome Ann Beynon? Would you, on the record, like to put your role please?

[91] **Ms Beynon:** Fi yw cadeirydd y bwrdd sydd yn cynghori Gweinidog yr economi ar ddinas-ranbarth—beth y maen nhw'n ei alw yn *Cardiff capital region transition board*. Mae e'n banel sy'n cynghori'r Gweinidog. Mae gennyf aelodau ar y panel sydd, yn bennaf, yn dod o'r gymuned fusnes. Ond mae gennyf hefyd, ar y panel, ddau arweinydd llywodraeth leol, sef arweinydd cyngor lleol Rhondda Cynon Taf ac arweinydd Cyngor Sir Fynwy.

Ms Beynon: I am the chair of the board that advises the Minister for the economy on the Cardiff capital region transition board. It's a panel that advises the Minister. I have members of that panel who chiefly come from the business community. The panel also has two local authority leaders, who are the leaders of the Rhondda Cynon Taf council and the leader of Monmouthshire County Council.

[92] **David Rees:** Thank you. Clearly, there are going to be major implications for both the Cardiff capital region and others in relation to structural funds aspects. Have you got any view at this point as to perhaps what you would see as a consequence of triggering article 50 initially?

[93] **Ms Beynon:** Os caf i wneud yn glir o'r cychwyn, nid ein lle ni fel panel yw cael barn ar yr hyn sy'n digwydd yn wleidyddol. Hynny yw, beth mae'n rhaid i ni ei wneud yw pwysu a mesur yr hyn yw'r realiti ar hyn o bryd. Felly, jest i ddisgrifio'r realiti yna ychydig bach, nid oes dim dwywaith ein bod ni mewn sefyllfa o ansicrwydd. Mae'r ansicrwydd yna'n mynd i barhau am gryn dipyn o amser. Nid yw ansicrwydd yn rhywbeth sy'n gydnaws, yn aml iawn, â hinsawdd y byd busnes.

Ms Beynon: If I may make it clear from the beginning, it's not our place as a panel to have a view on what is happening politically. That is, what we have to do is assess what the reality is at present. So, just to describe that reality for a while, there is no doubt that we are in a position of uncertainty. That uncertainty is going to continue for quite a while. Uncertainty isn't something that corresponds with the business world.

[94] Rydym hefyd mewn sefyllfa lle rydym yn gallu gweld bod llai o arian cyhoeddus yn mynd i fod ar gael, fe fyddwn i'n meddwl, heb unrhyw gwestiwn. Ac rydym mewn sefyllfa lle mae gyda ni angen i weithredu mewn ffordd wahanol. Beth bynnag sy'n digwydd, bydd rhaid i ni weithredu'n wahanol. Rydym hefyd, wrth gwrs, wedi dod allan o argyfwng ariannol go ddifrifol yn 2008–09.

We're also in a situation where we can see that there will be less public money available, without doubt. And we also have a situation where we need to take action in a different way. Whatever happens, we'll have to act in a different way. We have also come out of a very serious financial situation in 2008–09.

[95] Felly, mae'r cefndir cyffredinol, fe fyddwn i'n awgrymu, yn un eithaf stormllyd ac anodd. Felly, wrth gwrs, fe fyddai rhywun eisiau gweld cymaint o arian yn dod ag sy'n bosibl. Rwy'n credu bod rhaid inni fod yn real a chael bach o realiti fan hyn a sylweddoli nad ydym ni'n mynd i fod mewn sefyllfa mor rhwydd ag y

So, the general background, I'd suggest, is one that is quite tempestuous. Of course, people would want to see as much money coming as possible. But we have to be realistic and realise that we're not going to be in such an easy position as we have been in the past.

mae wedi bod yn y gorffennol.

[96] Felly, o fanna rydym yn cychwyn, rwy'n meddwl. Nid ydym fel panel wedi ffurfio barn benodol, ond rydym wedi ystyried y ffaith bod gyda ni eisoes strategaethau sydd wedi cael eu rhoi yn eu lle, sydd gyda ni fel bwrdd a bwrdd y ddinas-ranbarth. Dyna pam rwyf wedi dod a'r rhain heddiw.

That's where we're starting from, I think. As a panel, we haven't formed a specific view, but we have considered that we already have strategies that have been put in place, as a board and as the board of the city region. That's why I've brought these with me today.

[97] Beth sy'n ein taro ni yn bwysig nawr yw bod yna weithredu'n digwydd ar sail y cynlluniau sy'n bod yn barod a bod yna fwy o bwysau nawr a mwy o frys i weithredu'r cynlluniau yna nag sydd wedi bod erioed o'r blaen. Achos allwn ni ddim, bellach, aros yn ein hunfan, achos rydym mewn sefyllfa sy'n symudol ac yn newid.

What strikes us as important is that action is taken on the basis of the schemes that are already in existence. There's more of a rush to put these strategies in place, more than ever. Because we cannot stand where we are now; we're in a situation that is constantly changing.

[98] Mae'n bosib dadlau, wrth gwrs, pan fod gyda chi sefyllfa sydd ychydig bach yn argyfyngus, ei bod yn eich gorfodi chi i weithredu'n wahanol. Felly, ni ddylem ni gau ein llygaid i'r posibilrwydd bod modd gwneud pethau'n wahanol. Ond mae'r sialens yna i ni i gyd, rwy'n credu, i weithredu rhai o'r argymhellion yma sy'n bodoli ac i wneud hynny'n fwy chwim ar hyn o bryd.

It's possible to argue, of course, that when you have a situation that is slightly at a crisis point, it does make you act in a different way. So, we shouldn't shut our eyes to the fact that we could do things differently. But the challenge is there for us all, I think, to put into action some of the recommendations and to do so quicker.

[99] **David Rees:** Just one final point from me before I move on. This uncertainty you are actually referring to, clearly, it's fuelling greater uncertainty. Is it actually creating a situation where you find you cannot actually identify what you need to do, because of the unknown?

[100] **Ms Beynon:** Na. Rwy'n credu ei bod yn bosibl yn y sefyllfa sydd ohoni. Os ydych yn trefnu eich strategaeth yn ystyrlon ac yn ofalus a'ch bod yn penderfynu beth yw'ch blaenoriaethau chi, rydych yn gallu cyflawni pethau. Ond, mae'r penderfynolrwydd yna bellach yn fwy pwysig.

Ms Beynon: No. I think that it's possible, in the current situation. If you do put your strategy in place carefully and with consideration and you decide what your priorities are, you can achieve things. But that decisiveness is now more important.

[101] Felly, fe fyddwn i'n dadlau, yn y sefyllfa sydd ohoni, bod rhaid bod yna strategaeth hollol glir, cynllun datblygu economaidd hollol glir, blaenoriaethau clir, partneriaethau clir a dulliau o gyflawni'r rheini'n gyflym—bod rhaid i'r rheini fod yn eu lle. Os nad yw'r rheini yn eu lle, mae yna berygl ein bod ni ddim ond yn cael ein chwipio gan y storm, yn lle ein bod ni'n defnyddio peth o egni'r storm i roi gwynt yn ein hwyliau ni, fel petai.

So, I would argue that, in the current situation, there is a need for a completely clear strategy, an economic development plan that is entirely clear, clear priorities, clear partnerships, approaches of delivering those things very quickly, and they have to be in place. If they're not in place, then there is a danger that we will just be in the hands of the storm, instead of using some of the energy of the storm to put the wind in our sails, as it were.

[102] **David Rees:** We'll come on to those aspects of strategy and policy shortly. Suzy, do you want to—[*Inaudible.*—]the current circumstances?

[103] **Suzy Davies:** Yes, we've been talking 'forward look' quite a lot today, but we'll talk about where we are now. The city deal ideas are partly about bringing some sense of certainty, even in their draft form, aren't they? Can you tell me whether the situation with WEFO-funded projects—because obviously they're going to be coming to an end soon—is proving problematic for you if they've got any connection with the city deal plans, or whether they have any connection at all actually, any strategic fit at all?

[104] **Ms Beynon:** Efallai y byddai'n well i fi esbonio bod y ddêl ddinesig yn brosiect sy'n cael ei arwain gan yr awdurdodau lleol. Nid yw fy mhanel i yn rhan o'r panel sy'n rhedeg—

Ms Beynon: Perhaps I should explain that the city deal is a project that is led by the local authorities. My panel isn't part of the panel that runs—

[105] **Suzy Davies:** Rwy'n deall hynny. **Suzy Davies:** I understand that.

[106] **Ms Beynon:** Rydych yn deall hynny, reit. Mae yna orgyffwrdd ac rydym wedi bod yn gweithio'n agos gyda'n gilydd. Felly, nid ydym yn llywio, yn y canol, y ddêl ddinesig. **Ms Beynon:** You understand that, okay. There is overlap and we have been working closely together. But we don't inform, from the centre, the city deal.

[107] O edrych ar WEFO—ac rwyf wedi bod yn eistedd ar banelau WEFO ers blynnyddoedd—yr hyn y byddwn i'n ei ddweud ydy bod yr arbenigedd yn WEFO yn eithaf sylweddol a bod y parch y tu allan i Gymru tuag at allu WEFO fel corff i weithredu yn eithaf uchel. Rwyf wedi clywed gweision sifil yn Llundain yn brolio am WEFO fel y lle rydych chi'n mynd iddo i gael cyngor ar sut i ddelio ag arian Ewropeaidd. Y rheswm rwy'n dweud hynny yw, yn y sefyllfa rydym ynddi nawr, lle bydd angen sicrhau bod yr arian sydd gyda ni yn cael ei wario'n gyflym, mae bod gyda chi'r parch yna a'r ymddiriedaeth yna yn mynd i fod yn bwysig. Ond bydd yn allweddol bod yr hyn o arian sydd yn weddill—ac, wrth gwrs, mae'n mynd i fynd lan oherwydd bod y bunt yn wan—yn cael ei wario yn sydyn ac yn effeithiol, a bod yna ddealltwriaeth rhyngom ni â'r Undeb Ewropeaidd am y blaenoriaethau hynny. Looking at WEFO—and I've been sitting on WEFO panels for years—what I would say is that the expertise in WEFO is quite significant and that the respect outside Wales towards WEFO's ability as a body to operate is very high. I've heard civil servants in London boasting about WEFO as the place that you go to to get advice on how to deal with European funding. The reason I say that is that, in the position that we are in now, where we will need to ensure that the funding we have is spent quickly, the fact that you have that respect and trust is important. But it will be key that the funding that is left over—and it's going to go up because the pound is weak—is spent effectively and quickly, and that there is understanding between us and the European Union on those priorities.

[108] **Suzy Davies:** So, they're bringing projects to an end on their current terms, if you like, rather than, perhaps, I don't know, changing them slightly at the end in order to allow for a forward look.

[109] **Ms Beynon:** Maen nhw'n gallu newid. Beth rwy'n ei ddweud yw pe **Ms Beynon:** They can change. What I'm saying is that, should they decide

bai nhw'n penderfynu newid, bydden nhw'n gallu, achos rwy'n credu bod yna ymddiriedaeth yn eu gallu nhw i ddelio â'r arian, sy'n ei gwneud hi'n haws iddyn nhw newid pe bai nhw eisiau newid. Beth rwy'n ei ddeall sy'n allweddol bwysig yn arbennig yw bod arian y metro yn cael ei wario o fewn y tymor penodedig. Felly, os oes angen newid unrhyw beth i sicrhau bod hynny'n digwydd, rwy'n siŵr y gallen nhw wneud hynny, ond bydd yn bwysig cadw golwg gofalus ar hyn i wneud yn siŵr bod y rheolaeth ar yr arian yna, boed e'n cael ei newid neu beidio, yn digwydd yn iawn, a bod yna adroddiadau ac arsylli manwl ar y gwariant i wneud yn siŵr nad ydych chi'n cyrraedd diwedd y cyfnod a bod yna arian heb ei wario.

to change, they could, because they do have this trust in the ability of WEFO to deal with the funding, which makes it easier for them to change should they wish to do so. What I understand as being particularly crucial is that the funding for the metro is spent within the designated period. So, if anything does need to change in order to make that happen, I'm sure that they could do that, but I think they'd need to keep a careful eye on everything to make sure that the management of that funding, whether it was changed or not, took place in the correct manner, and that there were reports and that there was a close oversight of that expenditure to make sure that you didn't reach the end of the period and the money hadn't been spent.

[110] **Suzy Davies:** And just finally from me, bearing in mind that the timing of everything doesn't add up particularly well, and with your experience in WEFO previously, are you assured by the UK Government's funding guarantee?

[111] **Ms Beynon:** Nid yw hi lan i fi i fynegi barn ar ran y Llywodraeth Brydeinig. Yr unig beth ddywedwn i yw gorau po fwyaf o arian ddaw, ond byddwn i'n gweithredu ar y sail mwyaf pesimistaidd posib i fod yn saff, a bod yn onest. Ac nid yn unig yr arian sy'n bwysig, ond y rheoleiddio, achos beth sy'n dod o Ewrop yw nid jest arian ond prosesau rheoleiddio eithaf soffistigedig, ac mae hynny'n wir yn arbennig yn y byd amgylchedd, y byd cyflogaeth ac yn y blaen, ac mae yna gwestiynau

Ms Beynon: It's not up to me to give a view of the UK Government. What I would say is the more money that comes, the better, but I would operate on the most pessimistic basis as possible, to be honest. And it is not only the funding that's important, but the regulation, because what's coming from Europe isn't just funding, but also regulatory processes that are quite sophisticated, and that's particularly true of the environment world and the employment world, and there are

mawr eto sy'n effeithio ar allu cwmni i fuddsoddi, a sut mae hynny'n mynd i ddigwydd yn y dyfodol. Felly, nid jest yr amgylchedd, ond yr holl sectorau ariannol, sectorau cyfryngol, sectorau sy'n bwysig i ni yng Nghymru. Pwy sy'n mynd i reoleiddio'r rheini yw'r cwestiwn mawr i fi hefyd. Pa ran o'r rheoleiddio yna sy'n dod i Gaerdydd, a pha ran sy'n mynd i Lundain? Felly, ni ddylem ni jest meddwl am yr arian. Gorau oll os daw mwy o arian, ond mae eisiau i ni hefyd feddwl am bwy sy'n mynd i fod yn gosod y rheolau, achos mae'r rheolau yna yn gallu effeithio'r farchnad ac yn gallu effeithio ar yr hinsawdd ar gyfer buddsoddi.

major questions again that affect the ability of a company to invest, and how that is going to happen in the future. So, things, for example, such as all the financial sectors, the media sectors, sectors that are important to us in Wales, and not just the environment. Another big question for me is who is going to regulate those sectors. What part of that regulation will come to Cardiff, and what will go to London? We can't just think about the funding. It would be better if the funding increased, but we need also to think about who is going to be setting those rules, because those rules can have an impact on the market and can affect the climate for investment.

[112] **Suzy Davies:** Diolch.

Suzy Davies: Thank you.

[113] **David Rees:** On that particular point, I appreciate that the rules need to be set, but are you therefore saying that, if funding isn't provided—If, for some reason, that guarantee failed to deliver the funding—you are going to be facing some serious challenges as a city region?

[114] **Ms Beynon:** Ie, ond yr unig bwynt wedyn—ac rydym ni wedi bod yn trafod hyn ers sbel—yw o ble mae'r arian yn dod os nad yw e'n dod o ffynonellau cyhoeddus? A'r unig ateb yw bod rhaid i chi fynd i'r farchnad i gael yr arian. Nawr, nid yw arian yn brin yn y marchnadoedd rhyngwladol. Mae yna arian i'w gael, ond yr unig ffordd i gael yr arian yw bod gyda chi brosiectau sydd o ddiddordeb i'r buddsoddwyr. Felly, mae e'n ffordd hollol wahanol o feddwl. Felly, byddai rhaid i ni yng

Ms Beynon: Yes, but what follows from that—and we have been discussing this for quite a while—is from where is that money going to come if it doesn't come from public sources? And the only answer is that you would then have to go to the market to get that funding. Now, funding isn't scarce in the international market. There is money available, but the only way of getting that money is if you have projects that interest the investors. So, it's a completely different way of thinking.

Nghymru sicrhau bod gyda ni yng Nghymru brosiectau mawr, canolig—ond yn bendant, rhai mawr—a fyddai yn denu buddsoddiad. Mae yna fuddsoddiad mawr ar hyn o bryd yng Nghaerdydd gan gyrff ariannol—Legal and General yn un ohonyn nhw—ond nid oes buddsoddiad cyffelyb tu hwnt i Gaerdydd, a dweud y gwir. Felly, ble mae'n safleoedd ni y bydden ni'n gallu mynd â nhw i'r farchnad a dweud, 'Dyma safle, rydym yn chwilio am £40 miliwn i'r safle yma', a bod ni wedi paratoi dogfen sy'n disgrifio i'r farchnad beth sy'n dod allan o'r buddsoddiad. Felly, y sialens nawr yw creu y cynlluniau a'r cyfleoedd i ddenu arian masnachol, achos nid wyf i'n gweld lle arall mae rhywun yn mynd i fynd.

So, we in Wales would have to ensure that, in Wales, we have these major and medium-sized projects—but certainly these major projects—that would attract investment. There is major investment currently taking place in Cardiff by financial organisations—Legal and General for example—but there is not similar investment beyond Cardiff, to be honest. So, where are our sites that we would be able to take to the market and say, 'This is the site, we're looking for £40 million for this site', and that we'd prepared documentation that describes to the market the result of their investment? So, the challenge now is to create these schemes and these opportunities that would attract commercial funding, because I don't see where else we could go.

[115] **David Rees:** Steffan.

[116] **Steffan Lewis:** Thank you. Just in terms of the capital region concept, do you anticipate that, just organically, the role of that capital region will be one that inherits regional policy almost automatically, or are you purely an infrastructure-based agency that is there as a go-between, as you described, between market and local authorities? How could you characterise the capital region going forward?

15:15

[117] **Ms Beynon:** I ddechrau cychwyn, mae'n rôl ni fel panel sy'n rhoi cyngor i'r Ysgrifennydd Cabinet yn gorffen ym mis Mai. Felly, yr hyn rydym ni wedi bod yn ceisio ei wneud yw meddwl am y cwestiwn yna—cwestiwn llywodraethiant y

Ms Beynon: To start with, our role as a panel that advises to the Cabinet Secretary comes to an end in May. So, what we've been trying to do is to think of that question—that question of the governance of the region. We have come to the view that a regional

rhanbarth. Rydym ni wedi dod i'r farn mai strwythur rhanbarthol yw'r un sy'n gweithio ar lefel economaidd. Os edrychwch chi ar ranbarth de-ddwyrain Cymru, rydych chi'n gallu gweld bod yna synnwyr bod y rhanbarth yn gweithio fel endid economaidd, achos mae'n rhaid i chi hefyd wynebu'r realiti nad yw economi Cymru yn gweithio de-gogledd. Mae gennym ni economi yn y gogledd ac economi yn y de, ac mae'r economi yn gweithio dwyrain-gorllewin. Felly, mae'n rhaid i chi gael endid pwerus yn y de-ddwyrain sydd hefyd yn gallu cael trafodaethau buddiol gyda chyrff allanol. I wneud hynny, byddwn i'n dadlau bod eisiau rhyw fath o drefniadaeth sydd yn goresgyn unrhyw newidiadau gwleidyddol. Os edrychwch chi ar ein adroddiad ni, a gyhoeddwyd rhyw dair blynedd yn ôl, mae'n dweud hynny'n eithaf clir: bod eisiau rhyw fath o strwythur sydd ddim yn golygu bod newidiadau yn digwydd bob tro mae yna newidiadau etholaethol, a bod rhaid i chi gael o leiaf 10 mlynedd clir o weithio mewn sefyllfa sefydlog i greu hynny.

[118] Byddwn i'n dadlau wedyn bod yn rhaid i chi gydlynu, achos beth sy'n amlwg i mi yw bod yna weithgareddau yn digwydd yn y rhanbarth ac nid yw'r cydlynu ar hyn o bryd yn bodoli. Mae yna lywodraethiant yn cael ei roi yn ei le ar gyfer y de ddinesig. Y cwestiwn i'w ofyn yw: a ydy hwnnw'n ddigonol ar gyfer creu strategaeth tymor hir

structure is the one that works on an economic level. If you look at the south-east Wales region, you can see that there is sense that the region does work as an economic entity, because you also have to face the reality that Wales's economy doesn't work on a north-south basis. We have an economy in north Wales and an economy in south Wales, and the economy also works east-west. So, you have to have a powerful entity in the south-east that can also have beneficial discussions with external bodies. To do so, I would argue that you have to have some sort of arrangement that can survive any political changes. If you look at our report that was published about three years ago, it makes that point quite clearly: that there is a need for a structure that is not subjected to change every time there are electoral changes, and that you need to have 10 clear years of working in a stable situation in order to create that.

I would then argue that you have to co-ordinate, because it is clear to me that there are activities going on in the region but that the co-ordination doesn't exist currently. Governance has been put in place for the civic south. The question that needs to be asked is: is that adequate to create a long-term strategy that, as I described it, is free from political

sydd, fel roeddwn i'n ei ddisgrifio, yn rhydd o newidiadau gwleidyddol? Mae'n gwestiwn sy'n dal i fod ar y bwrdd, ond byddwn i'n dadlau eich bod chi angen rhyw fath o strwythur parhaol lle mae yna un lle i adrodd i mewn iddo; lle mae yna un gorolwg o bopeth sy'n digwydd; mae yna un lle penodol i fynd iddo ar gyfer mewnfuddsoddwyr a phobl sydd am ddatblygu busnes yn lleol; mae yna un strategaeth sgiliau sydd yn perthnasu, eto, gyda'r strategaeth economaidd; ac mae'r ochr isadeiledd, eto, yn waelodol. Felly, fe allech chi gael haenau. Mae gennych chi eich isadeiledd. Mae gennych chi wedyn y safleoedd allweddol, gan gynnwys y rhai mawr roeddwn i'n eu disgrifio gynnau. Mae gennych chi eich sgiliau wedyn. Mae gennych chi wedyn eich strategaethau twristiaeth uwchben. Felly, rydych chi'n creu haenau. Mae'n rhaid i rywun berchnogi, edrych ar ôl a datblygu y strategaeth yna. Ar hyn o bryd, mae gennym ni Ddeddf ar gyfer cynllunio, sy'n mynd i olygu y bydd yn rhaid i ni gael un cynllun cynllunio ar gyfer y rhanbarth erbyn 2020. Mae gennym ni hefyd y Ddeddf amgylchedd, sydd yn golygu bod rhaid cael datganiadau rhanbarth. Pwy sy'n mynd i sicrhau bod y datganiad rhanbarth ar gyfer y de-ddwyrain yn perthnasu i'r strategaeth economaidd? Mae gennych chi wedyn genedlaethau'r dyfodol a'r strategaethau hynny. Felly, beth sydd gennym ni ar hyn o bryd yw *spaghetti junction*, a dweud y gwir, o haenau ac nid yw hynny yn changes? It's a question that's still on the table, but I would argue that you need some sort of permanent structure where there is one place to report; where there is one overview of everything that's happening; that there is one specific place for inward investors and for people who want to develop businesses locally; that there's one skills strategy that relates, again, to the economic strategy; and that the infrastructure aspect is, again, the basis to all of this. So, you could have layers. You have your infrastructure. You then have your key sites, including the major ones that I was talking about earlier. Then you have your skills. Then you have your tourism strategies on top. So, you're creating layers. Somebody has to take ownership, look after and develop that strategy. At the moment, we have an Act for planning, which will mean that we will need to have one planning scheme for the region by 2020. We also have the environment Act, which means that we'll have to have regional statements. Who's going to ensure that that statement for the south-east relates to the economic strategy? You then have the future generations and those strategies. So, what we have at the moment is a spaghetti junction of layers, and that's not going to work. So, one of the things that that we've been discussing as a panel is that there is a need for simplification; we can't continue like this with all of these different layers. So, some

mynd i weithio. Felly, un o'r pethau common sense with regard to a rydym ni wedi bod yn eu trafod fel regional body is essential. panel yw bod eisiau symleiddio; allwn ni ddim cario ymlaen fel hyn â'r holl wahanol haenau yma. Felly, mae rhyw fath o synnwyr cyffredin ynglŷn â chorff rhanbarthol yn angenrheidiol.

[119] **Steffan Lewis:** I take those points absolutely, but no-one has consulted with the people about what regional make-up they think is more appropriate, and then throughout the whole discussion about city regions—and I read the report published a few years ago—there was very little mention of a community and what communities mean. And we've had evidence in this committee that, actually, the lower the level you go, the better you are at getting really good outcomes from regional policies. So, from our point of view in the community that I live, for example, being a part of the west Wales and the Valleys European region made perfect sense, because you had that—I know you're not a fan of it—north-south link across the west there that made perfect sense from a linguistic, rural and community point of view, and then, of course, the crucial Valleys bit as well—the demographics of Merthyr Tydfil, Caerphilly and Neath Port Talbot more in line and more in sync in terms of post-industrial experience than the M4 corridor. So, I suppose the follow on, really, is: how are you going to ensure, within this decision that's been made now anyway to go for a Cardiff capital region model, that those communities are going to have a stake in it, that there's going to be democratic accountability and it's not going to be dominated by an M4 corridor, which actually makes far more sense, as far as I'm concerned personally, to be in a region than Neath Port Talbot being separated from Torfaen, Caerphilly and Merthyr, for example?

[120] **Ms Beynon:** Rwy'n mynd yn ôl i'r pwynt allweddol o gynllun. Fe fyddai'r cynllun yn disgrifio yn benodol beth fyddai'n digwydd i'r Cymoedd. Fyddech chi ddim yn cael datblygu cynllun sydd ddim yn cynnwys yn greiddiol iddo fe weithgareddau sy'n mynd i effeithio ar yr ardaloedd mwyaf difreintiedig. Rydw i hefyd yn cytuno'n llwyr â'ch pwynt chi am y gymuned. Nid oes **Ms Beynon:** I go back to the crucial point of there being a plan or a scheme that would describe specifically what would happen to the Valleys. You wouldn't be able to develop a plan that wouldn't include, at a fundamental level, the activities that would affect the most disadvantaged areas. I also agree fully with your point about community. I don't believe there has

digon o drafod wedi bod gyda chymunedau. Mae yna ddechrau ar hynny wedi digwydd erbyn hyn gyda thasglu'r Cymoedd, ac rwyf wedi bod mewn dau gyfarfod cyhoeddus yn bersonol yn ddiweddar o ran hwnnw. Mi oedd e'n chwa o awyr iach, a dweud y gwir, i glywed llais pobl. Felly, rydw i yn gredwr cryf mewn siarad â phobl, a gweld beth sydd ei angen arnyn nhw. Ond mae'n rhaid i chi gael arweinyddiaeth hefyd. Beth mae'n rhaid i chi gael yw eich bod chi'n gweithio o'r gwaelod lan ac o'r top lawr, ac mae yna ormod o dop lawr wedi digwydd yn y gorffennol.

[121] Ond mae'n rhaid i rywun yn rhywle gymryd penderfyniadau, ac mae'r ardal, y de-ddwyrain, yn gwneud synnwyr yn economaidd. Mae yna fanteision mewn trio lledu'r cyfoeth, ond nid ydw i'n credu bod hyn yn *trickle-down* o gwbl, ond mae eisiau sylweddoli bod eisiau lledu'r bendithion sy'n dod o'r M4. Rydw i'n awyddus iawn i weld yr M4 newydd yn cael ei adeiladu. Rydw i'n awyddus iawn i weld y metro yn dod. Ond mae'n rhaid i'r metro fynd â swyddi lan y Cymoedd, nid jest tynnu pobl lawr i'r M4. Dyna'r perygl ar hyn o bryd, heb gynllun. Efallai y byddech chi'n creu cynllun a fyddai'n disgrifio'n fanwl beth sy'n mynd i ddigwydd yn y Cymoedd, a byddech chi'n gorfodi'r corff sydd yn gweithredu'r cynllun i adrodd yn ôl a dweud beth maen nhw wedi'i wneud.

been enough discussion with communities. That work has begun by now with the Valleys taskforce, and I've been to two recent public meetings personally in relation to that. It was a breath of fresh air, to be honest, to hear people's voices. I am a firm believer in talking to people and seeing what they need, but you also need leadership. What you need is that you're working from the bottom up and from the top down. There's too much top-down work that has taken place in the past,

But someone somewhere has to take decisions, and the south-east region does make sense, economically speaking. It's clear that there are advantages in trying to ensure that wealth is spread out. I'm not saying it's a trickle-down effect, but there's this idea that we need to spread out the benefits that have come from the M4 corridor. I'm keen to see the new M4 being built, and I'm also keen to see the metro. However, the metro has to take jobs to the Valleys and not just draw people down to the M4, and that's the danger at present without this plan that I've talked about. Perhaps this would be a plan that would describe in detail what is going to happen in the Valleys, and you would then force the body responsible for implementing that plan to report back and say what they've done.

[122] **Steffan Lewis:** Okay. I'll just move on with a final question. I know that you're not directly part of the city deal, but that's inextricably linked, clearly, with the capital region. Within it, it's got a commitment that 25,000 new jobs are going to be created over the next 20 years in the capital region, and £4 billion-worth of private sector finance is going to be leveraged into the capital region. As you've rightly pointed out, there is no plan yet. So, I wondered if you—because I haven't been able to find it myself, not for want to trying—knew the methodology behind it, because, as you can imagine, the communities that I represent have heard all this kind of thing before, many times. So, I wondered if you could shed light on exactly how £4 billion of extra private finance for the capital region was identified, and where these 25,000 jobs come from.

[123] **Ms Beynon:** Ni fyddwn i'n gallu disgrifio yn fanwl pwy wnaeth yr union waith yna. Yr unig beth yr ydw i'n gwybod ydy bod yna sawl gwahanol ddarn o waith wedi bod yn digwydd. Felly, mae rhywun wedi darganfod yn ystod y 18 mis diwethaf fod, er enghraifft, cynllun yn cael ei baratoi gan wahanol gyrff, yn lle bod yna un cynllun. Felly, fe wnaethom ni lwyddo i gael gweithdy lle daethom ni â phobl at ei gilydd i drïo cytuno ar un cynllun, ac rydw i yn meddwl ei bod hi'n anodd iawn, oni bai bod gyda chi gynllun, i ddod lan â ffigyrau. Rydw i'n siŵr bod methodoleg—. Mae Greg Clark, sydd wedi gwneud yr adroddiad ar gyfer y ddêl ddinesig, yn ddyn profiadol iawn. Mae'n academydd profiadol, ac mae parch iddo fe. Felly, ni fyddwn i yn amau'r ffigyrau, ond mae yna wahaniaeth rhwng dweud bod hyn yn bosibl a disgrifio'r llwybr sy'n mynd i greu prosiectau sy'n cyrraedd y nod yna. Dyna, rydw i'n meddwl, sydd ar goll ar hyn o bryd.

Ms Beynon: I wouldn't be able to describe in detail who did that work exactly. All I know is that several different pieces of work have been undertaken. They discovered during the last 18 months that, for example, schemes were being prepared by different bodies, rather than there being one scheme. So, we managed to organise a workshop where we brought people together in order to agree one scheme, and I think it's very difficult, unless you've got a scheme, to come up with some figures. I'm sure that there is a methodology—. Greg Clark, who prepared the report for the city deal, is an experienced man and an experienced academic who has great respect. I wouldn't doubt the figures, but there's a difference between saying that this is possible and describing the route that's going to create projects to reach that goal. I think that's what's missing at the moment.

[124] Mae eisiau i'r cynllun yna gael ei ysgrifennu, a byddwn i'n awgrymu bod yna rôl i brifysgolion i siarad a gwneud y cynllun mewn ffordd sydd yn rhyngweithiol, lle rydych chi'n trafod gyda phobl beth sy'n digwydd iddyn nhw a beth maen nhw eisiau ei weld yn digwydd, a bod hynny'n broses barhaol wrth ichi greu'r cynllun. Hynny yw, rydw i wedi gweld hyn y digwydd o'r blaen. Pan oeddwn i'n gweithio i gorfforaeth y bae, fe gymeron nhw dair blynedd i ysgrifennu strategaeth, ac fe wnaethon nhw siarad â'r gymuned ac fe wnaethon nhw roi addewidion i'r gymuned—er enghraifft, na fyddai dim un teulu yn gorfod symud o'r ardal yn ystod yr holl gyfnod. Fe gadwyd at yr addewidion hynny, ac fe grëwyd cronfa gymunedol, felly. O fod wedi creu cynllun, mi oedd yn bosibl wedyn i greu dealltwriaeth yn y gymuned o beth roedden nhw'n mynd i gael mas ohono fe—bod yna ryw fath o bartneriaeth, ac nad oedden nhw'n byw mewn rhywle lle roedd pethau'n digwydd iddyn nhw. Roedd yna bartneriaeth yn digwydd. Heb gynllun, mae'n anodd iawn gwybod sut rydych chi'n mynd i ddisgrifio'ch llwybr chi tuag at yr allgynnyrch hynny sydd mor hanfodol.

There is a need for that scheme to be written up, and I would suggest that there's a role for universities to speak and to draw up the scheme in an interactive way, where you discuss with people what's going to happen to them and what they want to see happening, and that that is a continual process in drawing up the scheme. I've seen this happening before. When I worked for the bay corporation, they took three years to draw up a strategy, and they did speak to the community and they did give the community certain promises—for example, that not one family would have to move from the area. They kept to those promises, and a community fund was created. So, in doing that, they created an understanding within the community of what they would get out of this—there was some sort of partnership, and they knew that they didn't live somewhere where things were happening to them. There was a partnership in place. Without a scheme, it's very difficult to know how you're going to describe your route towards those outputs that are so essential.

[125] **David Rees:** Dawn.

[126] **Dawn Bowden:** As an integral part of the city deal—and Steffan's already touched on this, but I just want to develop it a little bit further—clearly, the south-east Wales Valleys are an integral part of that, but I think the concern for those of us who represent those areas is that actually we

won't see the shift to the Valleys. You'll be aware of the work that the Bevan Foundation did around, for instance, talking about Merthyr being a hub for the Valleys. How are we going to shift the emphasis? With no guarantee where future European money is going to be coming from, how are we going to shift the emphasis from Cardiff into these Valleys areas, creating the hubs that will spread out and deliver this kind of prosperity across the whole of the region, rather than just concentrated around Cardiff?

[127] **Ms Beynon:** Wel, mae eisiau rhyw fath o ddisgyblaeth, onid oes? Achos peth o'r trafodaethau sydd wedi digwydd fel rhan o dasglu'r Cymoedd yw'r duedd yma o hyd, hyd yn oed, pan fydd yna ddatblygiadau yn y sector gyhoeddus, er enghraifft i adeiladu ysgol neu glinig, fod pobl ddim yn meddwl, 'A ydy hwnnw ar y metro? A oes yna fws yn mynd yno?' Nid oes dim cydlynu digonol wedi bod yn digwydd yn gyffredinol.

Ms Beynon: There is a need for some level of discipline, isn't there? Because some of the discussions that have taken place as part of the Valleys taskforce is that tendency that exists when there are developments in the public sector, for example to build a school or clinic, that people don't think, 'Is that on the metro? Is there a bus that you can use to get there?' There has been no cohesion, in general.

[128] Ond byddwn i'n meddwl hefyd, os ydych yn diffinio, er enghraifft rhannau o'r de-ddwyrain, lle mae'r sector breifat yn mynd i fuddsoddi—y rhan fwyaf o'r M4, yn sicr Caerdydd ac yn sicr ardaloedd o gwmpas Pen-y-bont, ac yn sicr ardaloedd o gwmpas Casnewydd—mae'r sector breifat yn mynd i fuddsoddi, boed yn dai neu'n beth bynnag, felly, eich bod chi'n diffinio, 'Yn y fan honno, nid oes rhaid inni roi gymaint o arian cyhoeddus, ar wahân efallai i helpu gydag ambell i ran o isadeiledd.' Ond yn y gogledd wedyn, gallwch ddargyfeirio'r hynny o arian sydd gyda chi i'r ardaloedd hynny, lle rŷch chi'n gwybod nad yw'r sector breifat yn mynd i fynd.

But I also think that, if you define, for example parts of the south-east, where the private sector is going to invest—along most of the M4, certainly Cardiff and certainly the areas around Bridgend, and certainly the areas around Newport—there is going to be private sector investment there, whether it's housing or whatever, so you would define it as, 'In those places, there is no need for public funding, other than to assist with certain issues relating to infrastructure.' But then in the north, you can divert the money that you have to those areas, where you know that the private sector is not going to invest.

[129] Ond mae'n rhaid i chi hefyd feddwl, 'Mae yna bethau'n digwydd yn y maes adeiladu tai.' Er enghraifft, fe allech chi ddod i ddealltwriaeth gydag adeiladwyr tai a'r pedwar cwmni mawr sy'n weithredol yng Nghymru o ran lle maen nhw'n mynd i fynd. Gallech hefyd siarad â darparwyr tai cymdeithasol a hefyd y bobl sy'n adeiladu nifer bychan o dai—mae yna bobl sy'n adeiladu 60 neu ddwsin o dai; mae yna ddarn o dir yn y Cymoedd sy'n addas i hynny. Ble mae'r cynllun i sicrhau eu bod nhw'n gallu adeiladu mwy o dai? Mae yna gynllun wedi dod yn Rhydychen ar hyn o bryd, lle mae hynny'n digwydd. Beth sy'n digwydd yw bod yna ryw fath o warant yn cael ei rhoi i'r banc ar gyfer y cwmnïau tai bychain yma. Maen nhw'n gallu benthyg arian o'r banc ac y mae yna warant gyhoeddus y tu ôl i'r banc. So, maen nhw'n gallu creu tai. So, mae eisiau projectau fel yna dros y Cymoedd, lle rŷch chi'n dweud, 'Reit, nid jest yn un lle—'. Achos, ar hyn o bryd, mae pethau'n digwydd mewn un lle, ond nid yw'n digwydd ym mhob man.

[130] Er enghraifft, mae'r isadeiledd ar gyfer band llydan—rwy'n gwybod hyn o fy nghefndir i yn BT—yn helaeth iawn erbyn hyn. Mae'r Cymoedd wedi cael darpariaeth arbennig o dda ac mae rhannau o Flaenau Gwent yn well na rhannau o Lundain. Ond nid yw'r haenau sydd eu hangen ar ben hynny, fel WiFi ac yn y blaen, yna. Dylai fod yna

But you must also think, 'There are things happening in the area of house building.' For example, you could come to an understanding with the house builders and the four big companies that operate in Wales in terms of where they are going to go. You could also talk to social housing providers and also with the people who build a small number of houses—there are people who build about 60 or a dozen houses; there are plots in the Valleys that are suitable for that. Where is the scheme to ensure that they are able to build more houses? There is currently a scheme in Oxford where that is taking place. What happens is that some kind of guarantee is given to the bank to support these small housing companies. They are able to borrow money from the bank and then there is a public guarantee behind the bank. So, they can build houses. So, we need projects like that throughout the Valleys, where you say, 'Right, not just in one place—'. Because, currently, things are happening in one place, but they don't happen everywhere.

For example, the infrastructure for broadband—I know this from my own background with BT—is now very extensive. The Valleys has had excellent provision and parts of Blaenau Gwent are better than parts of London. But the layers that are needed above that, for WiFi and so on, are not there. There should be a scheme in place, again deliberately,

gynllun, eto bwriadol, i roi sensws o gwmpas y lle, so pan fydd unrhyw awdurdod lleol yn prynu CCTV neu brynu WiFi, dylen nhw fod yn rhoi sensws deallus o gwmpas y lle a fyddai'n eich galluogi chi i ddod â'r data at ei gilydd i ddisgrifio'r gymuned: pwy sydd yn symud yn y gymuned? Lle mae'r llefydd mwyaf manteisiol i adeiladu tai? Beth yw ansawdd yr aer? Beth sy'n digwydd ar drafnidiaeth? Mae eisiau i rywun eistedd i lawr a chreu rhyw fath o gaffaeliad ynglŷn â'r ochr dechnolegol. Rwy'n credu y byddai'r sector breifat yn fodlon talu amdano, os ydych yn bwndelu'r de-ddwyrain i gyd gyda'i gilydd fel un cynnig.

[131] Felly, mae yna bethau y gallwch chi eu gwneud, os ydych yn defnyddio pŵer yr M4 i helpu'r Cymoedd. Dyna'r math o beth y byddwn i yn ei wneud. Y peth sydd yn fy mlino i yn fwy na dim byd yw'r ffaith nad oes gennym ni strategaeth ardal ddeallus neu *smart region*. Nid ydym yn meddwl am y math o beth sy'n digwydd mewn llefydd fel Copenhagen, Barcelona a Chicago, lle rŷch chi'n gwybod eu bod yn meddwl nawr ynglŷn â chasglu data a defnyddio data'n ddeallus. Maen nhw'n symud ymlaen yn gyflym. Nid ydym ni yn gwneud hynny. Mae Llywodraeth Ffrainc ar hyn o bryd yn sôn am bethau: mae yna ddatblygiad enfawr y tu allan i Nice—Sophia Antipolis—lle mae Llywodraeth Ffrainc wedi bod yn rhoi llwyth o arian ers degawdau i ddatblygu

to undertake a census, so whenever a local authority buys CCTV or WiFi, they should be issuing a smart census that would enable them to bring together these data so that they can describe the community: who is moving in the community? Where are the best places to build houses? What is the air quality like? What is happening to transport? Someone needs to sit down and carry out some technological procurement. I think that the private sector would be willing to pay for that, if you were to bundle the south-east all together as one offer.

Therefore, there are things that you can do, if you use the power of the M4 to help the Valleys. That is the kind of thing that I would do. The thing that irritates me more than anything is the fact that there is no smart region strategy. We are not thinking about the kinds of things that are happening in places like Copenhagen, Barcelona and Chicago, where you know that they're thinking currently about collecting data and using data intelligently. They're moving forward very rapidly. We are not doing that. The French Government is currently talking about such things: there is a huge development outside Nice—Sophia Antipolis—where the French Government has been investing a great deal of money for decades to develop new technology. They are

technoleg newydd. Maen nhw'n gwneud *pitch* cryf ar hyn o bryd i Silicon Valley i symud pobl draw yna. Nid ydym yn meddwl am y dechnoleg newydd yma mewn ffordd ddeallus.

making a strong pitch to Silicon Valley currently to move people over there. We just aren't thinking about this new technology here in such a smart way.

[132] Hefyd, eto, ni fyddech yn gorfod teithio gymaint i lawr yr A470, os byddech yn gallu galluogi pobl i weithio gartref. Nid wyf yn deall pam na allwch chi gael strategaeth yn y sector gyhoeddus fod mwy o bobl yn cael gweithio o gartref, gweithio mewn ffordd hyblyg, ac ni fyddech yn gorfod cael gymaint o deithio. Byddech yn gallu sicrhau bod y dechnoleg yno iddyn nhw yn eu cartrefi. Mae yna faes enfawr yn fan hyn, lle gallem fod yn gwneud y rhanbarth yn rhanbarth bywiol ac egniol, sydd ar flaen y gad. Mae eisiau ewyllys i wneud hynny ac mae eisiau strategaeth a chorff i sicrhau ei fod yn digwydd. Mae eisiau i rywun i gael ei ddal yn gyfrifol ei fod yn digwydd.

Also, again, you wouldn't have to travel as much down the A470, if you could enable people to work at home. I don't understand why you can't have a public sector strategy to enable more people to work from home and work in a more flexible manner, and there wouldn't be a need for so much travelling. You could ensure that that technology was in place to support them at home. There is a huge area here, where we could make the region a viable and energetic region that is at the cutting edge. We need the will to do so and we need a strategy and an organisation to ensure that it takes place. Someone needs to be held accountable to ensure that it takes place.

[133] **Dawn Bowden:** So, are you suggesting then that the—because we're talking about regional policy—regional policy that you're talking about, the city deal, is the level at which that policy should be developed, that it sits as part of a UK strategy, a Wales strategy and a city deal strategy?

[134] **Ms Beynon:** Reit, mae'n rhaid i chi gael strategaeth ar gyfer y rhanbarth, sy'n dod o'r gwaelod lan a'r top i lawr ac y mae'n rhaid i Lywodraeth Cymru gytuno ar y rhanbarthau. Beth gallaf ei weld ar hyn o bryd yw bod rhyw fath o ddealltwriaeth bod y de-orllewin a'r de-ddwyrain a'r gogledd—mae'n

Ms Beynon: Right, you need to have a strategy for the region that comes from the bottom up and the top down and the Welsh Government has to agree on the regions. What I can see at the moment is some kind of understanding that the south-west, the south-east and the north—it's another matter what's happening in

fater arall o ran beth fydd yn digwydd i Bowys; efallai bod eisiau sgwrs gyda Phowys, achos mae hynny'n bwysig.

Powys; perhaps we need a discussion with Powys, because that's important.

15:30

[135] Beth mae'r Llywodraeth Brydeinig yn mynd i'w wneud, nid wyf yn gwybod. Hynny yw, yn amlwg, beth sydd wedi bod yn digwydd yn y gorffennol yw bod y polisi rhanbarthol, i raddau helaeth, yn cael ei lywio gan bolisiau Ewropeaidd. Felly, mae yna wagle'n mynd i ddigwydd ar sail polisi rhanbarthol. Mae'n bwysig bod yna bolisi rhanbarthol Prydeinig.

What the UK Government is going to do, I don't know. Clearly, what has been happening in the past is that the regional policy, to a large extent, has been informed by European policies. So, there is going to be a gap on the basis of regional policy. It's important that there is a UK regional policy.

[136] Mae wedi bod yn digwydd ar lefel Brydeinig trwy'r ddêl ddinesig yma yn seiliedig ar Fanceinion. Mae Manceinion wedi digwydd yn organig ei hun; nid oes neb wedi'i orfodi. Mae yna berygl, rwy'n meddwl, gyda rhai o'r deliau dinesig hyn, y bydd model Manceinion yn cael ei osod ar wahanol rannau o Brydain yn lle bod e'n digwydd yn organig—yn ôl i'ch pwynt chi—lle mae'r gymuned yn dweud, 'Efallai bod hwn yn gweithio ym Manceinion, ond byddai hwn yn gweithio'n well i ni.' Felly, mae eisiau rhyw fath o sgwrs ynglŷn â beth yw'r llywodraethiant sy'n gweithio orau ac ystyried bod gennym ni Lywodraeth ddatganoledig yng Nghymru nad oes gennych chi ym Manceinion ac nad oes gennych chi yn Rhydychen yn yr un ffordd. Felly, rwy'n meddwl ein bod ni wedi tueddu bod yn rhy naïf mewn ffordd ynglŷn â beth sy'n

It has been happening on a UK level through this city deal based on Manchester. Manchester has happened organically itself; nobody has forced anything on it. So, there is a danger, I think, with some of these city deals, that the Manchester model is being placed in different parts of Britain rather than it happening organically—going back to your point—where the community says, 'Perhaps this works in Manchester, but perhaps this would work better for us.' So, there is a need for some sort of conversation about what governance works best when we consider that we have a devolved Government in Wales that you don't have in Manchester and you don't have in Oxford in the same way. So, I think we have tended to be too naïve, in a way, about what works in different areas and not everything

gweithio mewn gwahanol lefydd ac nid yr un peth sy'n gweithio ymhob man.

[137] So, mae eisiau i'r sgwrs yna ddigwydd, ac os yw polisi rhanbarthol yn dod yn ôl o Ewrop i Lundain, rhaid i Lundain benderfynu sut maen nhw'n mynd i weithredu polisi. Ond yng Nghymru, fe allwn ni benderfynu nawr, 'Reit. Mae gennym ni dri rhanbarth ac mae'n rhaid i bob un ohonyn nhw gael strategaeth sy'n berthnasol iddyn nhw', ac wedyn bydd hynny'n gallu cael ei gydlynu, ar ryw bwynt, yn ganolog, ond mae'n rhaid i ni ei wneud e. Rwy'n mynd yn ôl at beth yr oeddwn i'n ei ddweud ar y dechrau: yn y sefyllfa rŷm ni ynddi ar hyn o bryd, os nad ym ni'n dechrau gwneud pethau a gosod rhywbeth yn ei le, byddwn ni'n cael ein gadael ar ôl.

[138] **Jeremy Miles:** A gaf i ofyn i chi'n bellach, yn y darlun rŷch chi'n ei greu nawr o'r haenau o lywodraeth, mae lot o ffocws wedi bod ar y rhanbarthau am resymau amlwg, ond beth yn union ydych chi'n gweld yw rôl Llywodraeth Cymru yn y strwythur hwnnw? I osod targedau? I osod strwythur cyffredinol a strategaeth, neu hefyd i gyflenwi rhai projectau eu hunain? Beth ych chi'n gweld yw eu rôl nhw?

[139] **Ms Beynon:** Byddwn i'n dechrau trwy symleiddio, achos mae sawl haen ranbarthol yng Nghymru, sydd yn cael eu gweinyddu gan

works everywhere.

So, we need that conversation to happen, and if regional policy comes back from Europe to London, then London has to decide how they're going to operate the policy. But in Wales, we could decide now, 'Right. We've got three regions and each one of them has to have a strategy that's relevant to them', and then that can be co-ordinated, at some point, centrally, but we have to do it. I go back to what I was saying at the beginning: in the situation that we're in at the moment, if we don't start to do things and put things in place, we'll be left behind.

Jeremy Miles: May I ask you further, in the picture that you're drawing for us now of the various levels of government, there's been a great deal of focus on the regions for obvious reasons, but what precisely do you see the Welsh Government's role being in that structure? Would it be to set targets? To set a general structure and strategy, or also to deliver some projects itself? What would you say its role would be?

Ms Beynon: I would start by simplifying, because there are many regional layers in Wales that are administered by the Welsh

Lywodraeth Cymru ac mae'n gymhleth. Mae'r byrddau iechyd yn wahanol; mae'r datganiadau ardal yn wahanol; mae gennym ni 22 LDP, er enghraifft—a ydyn ni angen 22? So, mae eisiau i rywun ar lefel Cymru symleiddio hynny i gyd a dod i benderfyniad.

[140] Os beth rŷm ni'n ei ddweud yw ein bod ni'n mynd i gael tri rhanbarth, wel, gwneud e, ontefe? Nid wyf yn gwybod beth sy'n ein rhwystro ni rhag gwneud hynny. So, byddwn i'n meddwl bod hynny. Wedyn, mae'n rhaid i chi gymryd y penderfyniad pwy sy'n gweithredu. A ydy'r byrddau rhanbarthol yn rhoi cyngor, neu a ydyn nhw'n gyrff sydd yn statudol? Dyna'r cwestiwn mawr. Mae'r un un cwestiwn wedi cael ei ofyn ynglŷn â'r comisiwn isadeiledd, a dyna'r cwestiwn mae'n rhaid i Lywodraeth Cymru ei ateb—cwestiwn i'r Llywodraeth. Y cwestiwn wedyn yw: pwy sydd yn cyflenwi? Rwy'n nodi'ch pwynt chi. A ydym ni'n dweud mai gweision sifil Llywodraeth Cymru sy'n mynd i gyflenwi a gwneud hyn? A fydd swyddogion awdurdodau lleol yn gwneud y gwaith? Neu, a fydd yna dasglu penodol yn cael ei apwyntio o bobl sydd yn gweithredu'r strategaeth ranbarthol, sydd yn atebol i'r corff statudol—y corff ymgynghori? A'u bod nhw'n mynd ymlaen ac—. Byddwn i'n bersonol yn gweld bod yna le pendant i grŵp bach profiadol iawn o bobl i weithredu hyn. So, pan rŷm ni'n sôn am y cynllun tai, fod yna

Government and it is complex. Health boards are different; area statements are different; we have 22 LDPs, for example—do we need 22? So, there is a need for somebody on a Wales level to simplify all of that and to come to a decision.

If what we're saying is that we're going to have three regions, let's do it then. I don't know what's stopping us from doing that. So, that is one thing. Then, you have to take a decision on who implements it. Will the regional boards give advice, or will they be statutory bodies? That's the big question now. That's the same question that's being asked of the infrastructure commission, and that's the question that the Welsh Government has to answer—a question for the Government. The question, then, is: who delivers? I note your point. Do we say that the civil servants of the Welsh Government are going to deliver and do this? Are the officials of local authorities going to do the work? Or, is there going to be a specific taskforce appointed to operate the regional strategy, that is accountable to the statutory body—the consultative body? And that they go on from there and—. Personally, I would say that there is a definite place for a small group of experienced people to put this into action. So, when we talk about the housing scheme, there would be somebody responsible for coming

rywun sy'n gyfrifol am ddod at ei gilydd â phrosiect adeiladu tai ar gyfer y de-ddwyrain, fel mae yna'n barod ar gyfer sgiliau. Mae o'n bodoli'n barod. Felly, rŷch chi'n creu grŵp o bobl ac mae ganddyn nhw'r sgiliau i greu projectau ac i weithredu'r projectau hynny. Dyna beth y byddwn i'n ei wneud, a bod hynny'n eistedd o dan y ddêl ddinesig, neu'n eistedd o dan ryw fath o grŵp rhanbarthol. Ond mae eisiau symleiddio'r holl beth fel bod y grŵp yma'n gallu dod at ei gilydd a gwneud i bethau digwydd.

[141] **Jeremy Miles:** Mae hynny'n awgrymu—y *rationalisation* yma rŷch chi'n sôn amdano—fod hynny'n mynd i gryfhau rôl y rhanbarthau, ac efallai bod hynny'n beth iawn, ond nid wyf yn gweld, wedyn, beth yw—. Efallai taw rôl ysgafn iawn sydd i Lywodraeth Cymru yn y darlun rŷch chi'n ei greu.

[142] **Ms Beynon:** Wel, nid o angenrheidrwydd; nid os yw Llywodraeth Cymru'n dweud yn glir wrth y rhanbarthau, 'Dyma beth mae'n rhaid ichi ei wneud'—mae'n dod nôl i'r pwynt amboutu'r Cymoedd—'Mae'n rhaid i'ch strategaeth chi sicrhau bendithion i'r Cymoedd. Mae'n rhaid i'ch strategaeth chi sicrhau'r bendithion canlynol i ardaloedd gwledig.' A bod beth oedd yn arfer cael ei alw'n *remit letter* yn cael ei roi, a bod yna weithredu ar ei sail o: 'Mae'n rhaid i chi, os ŷch chi'n mynd i gael y

together with a house building scheme for the south-east, as already exists with skills. It exists already. So, you create a group of people and they have the skills to create projects and to put these projects into action. That's what I would do, whether they sit under the city deal or under some sort of regional group. But there is a need to simplify the whole thing so that this group can come together and get things done.

Jeremy Miles: That suggests—this rationalisation that you're talking about—that that would then strengthen the role of the regions, which may be the right thing to do, but I don't then see what—. Perhaps it's a very light-touch role that the Welsh Government would have in the picture that you create.

Ms Beynon: Well, not necessarily; not if the Welsh Government tells the regions, 'This is what you have to do'—so, going back to the point about the Valleys—'Your strategy has to ensure benefits to the Valleys. Your strategy has to ensure benefits to rural areas.' And that there is what used to be called a remit letter that's given, and there is action taken on the basis of that: 'If you're going to have this responsibility, you have to do these things, and you will be measured on the basis of those, and you will have to report annually,

cyfrifoldeb yma, mae'n rhaid i chi wneud y pethau yma, a byddwch chi'n cael eich mesur ar sail y rheini, a bydd yn rhaid i chi adrodd yn flynyddol yn gyhoeddus sut rydych chi wedi cyflawni'r rhain.' Dyna beth sydd ar goll, efallai, ar hyn o bryd, yw'r tryloywder yna fod y gweithredu wedi digwydd. Dyna sut fydden i'n sicrhau—. Byddech chi'n cyhoeddi'r llythyr yn flynyddol a dweud, 'Mae rhanbarth y de-ddwyrain wedi cael y llythyr yma gan Lywodraeth Cymru, rydym ni wedi gofyn iddyn nhw wneud hyn.' Ac wedyn ar ôl blwyddyn, 'Reit, beth wnaethon nhw?'

[143] **Jeremy Miles:** A fyddech chi'n gweld bod unrhyw rôl gan y Llywodraeth yn cyflenwi projectau eu hunain, neu a fyddent i gyd yn digwydd drwy'r rhanbarthau?

[144] **Ms Beynon:** Ni fyddwn yn dweud bod e ddim, chi'n gwybod. Yr unig beth yw, mae'n rhaid i rywun benderfynu pwy sy'n ei wneud, ac mae'n rhaid i'r un tryloywder fod yn berthnasol. Ond os edrychwch chi ar y metro, mae yna gorff hyd braich sydd wedi cael ei greu i weinyddu'r metro. Mae hynny'n ymddangos i fi fel y gallai fod yn synhwyrol. Mae e'n rhywbeth mawr, cymhleth ac mae eisiau denu lot o arian i mewn. Ond byddwn i am weld bod yna fwrriad penodol i gyflawni'r amcanion a bod yna linell glir o gyfrifoldeb. Nid yw'n golygu bod llai o gyfrifoldeb ar Lywodraeth Cymru o gwbl, ond mae'n golygu bod yn rhaid i

publicly, how you've achieved these.' That's what's missing, perhaps, at the moment, is that transparency that action has taken place. That's how I would ensure—. You would publish the letter on an annual basis and say, 'The south-east region has had this letter from the Welsh Government, we've asked them to do this.' And then, after a year, 'What did they do?'

Jeremy Miles: Would you see that the Government would have any role in delivering their own projects, or would that all happen through the regions?

Ms Beynon: I wouldn't say that they wouldn't. What I'm saying is you have to decide who's going to do it, and that transparency is still relevant. If you look at the metro, an arm's-length body has been established to administer the metro. That appears sensible to me. It is something quite major and complex, and it does need to attract a lot of funding. But I would want to see that there is a specific intention to achieve these objectives and that there is a clear line of responsibility. I don't mean that there's less responsibility on the Welsh Government at all, but there would be a need for the Welsh Government to hold people

Lywodraeth Cymru ddysgu dal pobl yn gyfrifol am wneud y gwaith. responsible for doing the work.

[145] **Jeremy Miles:** Diolch.

Jeremy Miles: Thank you.

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

[147] **Eluned Morgan:** A gaf i ofyn am y syniad yma o dasglu—

Eluned Morgan: May I ask about this idea of a taskforce—

[148] **Ms Beynon:** Y syniad o beth?

Ms Beynon: The idea of what?

[149] **Eluned Morgan:** Y syniad yma o gael rhyw fath o dasglu. Rhywbeth fel Cardiff Bay Development Corporation bach, ie? Ai dyna'r fath o beth sydd gennych chi mewn golwg?

Eluned Morgan: This idea of a taskforce. Something like the Cardiff Bay Development Corporation, a small one, something like that? Is that what you're talking about?

[150] **Ms Beynon:** Ie.

Ms Beynon: Yes.

[151] **Eluned Morgan:** Onid ydych chi'n meddwl bod yna berygl, efallai, y byddai'r ailstrwythuro yna yn gallu cymryd blynyddoedd? Os ydych chi'n meddwl am ba mor hir mae'r *Cardiff bay city region* wedi cymryd hyd yn hyn, a nid oes hyd yn oed cynllun mewn golwg, oni fyddai'r ailstrwythuro yna yn gallu cymryd cymaint o amser fel y byddai'n well i ddefnyddio'r strwythurau sydd yna ar hyn o bryd, a jest gwneud yn siŵr eu bod nhw yn cael *remit letter*?

Eluned Morgan: Do you not think that there might be a danger that that restructuring might take years? If you think about how long the Cardiff bay city region has taken up until now, and there's not even a scheme in sight, wouldn't that restructuring possibly take just as long, or so long that it might well be better to use the structures that are currently in place, and to ensure that they receive a remit letter?

[152] **Ms Beynon:** Wel, beth sy'n digwydd ar hyn o bryd yw bod y llywodraethiant ar gyfer y ddêl ddinesig yn cael ei osod yn ei le. Nid wyf yn gwybod faint rŷch chi'n ei ddeall am lywodraethiant y ddêl ddinesig, ond efallai byddai'n werth

Ms Beynon: What's happening at the moment is that the governance for the city deal is being set in place. I don't know how much you understand about the governance of the city deal, but I think it might be worth looking at that in detail. There

ichi edrych ar hwnnw yn fanwl. Mae yna argymhelliaid yn y fan honno fod yna banel ymgynghorol—beth mae'n nhw'n ei alw yn '*economic growth partnership*'—yn cael ei osod yn ei le. Mae yna awgrym wedyn fod yna gabinet ar y cyd yn cael ei greu, felly rydym ni eisoes yn y byd o'r strwythurau yma yn cael eu creu. Byddwn i'n awgrymu ei fod yn bwysig bod rhywun yn edrych ar y strwythur yna'n ofalus a gweld a ydyw'n gweithio ac a oes angen gwneud rhywbeth gwahanol iddo, gan ei fod yn mynd i ddigwydd—mae'n ofynnol; mae'r Trysorlys yn mynnu bod y strwythur yma yn cael ei roi yn ei le. Felly, byddwn i'n awgrymu mai beth sydd eisiau ei wneud yw edrych ar y strwythur sy'n cael ei roi yn ei le ar gyfer y ddêl ddinesig ta beth, a gofyn y cwestiwn, 'Ai dyna'r ffordd o greu beth rŷm ni ei angen?'

is a recommendation there that there is an advisory panel—what they call an 'economic growth partnership'—set up. There has been a suggestion that a joint cabinet is created, so we're already in world of these structures being created. I would suggest that it's important that somebody looks at that structure carefully and sees whether that is working and whether there is a need to do something different to it, because it is going to happen—it's a requirement; the Treasury will insist that this structure is put in place. So, I would suggest that what you need to do is look at the structure that's being put in place for the city deal and ask whether that is the way of creating what we need.

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

[154] **Mark Isherwood:** Diolch. Thank you. Apologies for walking in behind you, I had been delayed by our wonderful train service and signal failures today. You say the Welsh Government should hold people responsible for doing the work, and you referred to the idea of having some sort of a body/taskforce to deliver that work. Of course, in north Wales we have—we've got the economic ambition board. Should not that holding to account be reciprocal—mutual accountability, or reciprocal accountability—as a partnership? And in terms of north, you talk about the Valleys, and of course west Wales and the Valleys move seamlessly into four north Wales counties, which are also within the structural funds or convergence area. What consideration is Cardiff capital region and the city deal giving to the internal north-south connectivity, where there are mutual issues applying?

[155] **Ms Beynon:** I ateb yr ail bwynt **Ms Beynon:** Well, to answer the yn gyntaf, rydym ni wedi bod yn second point first, we have been

trafod yn benodol trwy gyngor busnes ar gyfer y bwrdd lan yn y gogledd a, dweud y gwir, rydym yn gobeithio cynnwys rhywun o'r gogledd yn y broses o ddewis cyngor busnes ar gyfer y de-ddwyrain, achos rydym ni'n meddwl ei bod hi yn bwysig ein bod ni'n cydweithredu achos rydym ni yn un genedl—er bod yr economi yn gweithio'n wahanol. Felly, mae yna bethau cyffelyb yn digwydd yn y gogledd, er enghraifft sgiliau, lle mae yna gynllun sgiliau yn cael ei ddatblygu yn y gogledd, felly rŷm ni'n deall hynny, felly mae yna ddeialog yn digwydd—nid yw fel pe na bai dim cyswllt o gwbl. So, mae hynny ar y gweill. A allwch chi fynd yn ôl at y pwynt cyntaf eto? Ni ddeallais i cweit beth oedd gyda chi mewn golwg.

discussing specifically through business advice for the board in north Wales and, to be honest, we hope to include someone from the north in the process of choosing business support for the south-east because we thought it was important that we do collaborate, because we are one nation—although the economy works in a different manner. So, there are similar things that are taking place in the north, for example in terms of skills, where a skills programme is being developed in the north, so we understand that, and there is dialogue taking place—it's not as if there's no contact at all. So, that is in the pipeline. Can you return to the first point? I didn't quite understand what you were saying there.

[156] **Mark Isherwood:** Earlier you suggested a model, and to have some sort of taskforce or group of experts locally. Of course, north Wales already has that with the economic ambition board, which brings various elements of local government, business, third sector and academia into common proposals, common purpose, and joint working and cross-border, and you said the Welsh Government then should hold the people in those posts responsible for doing the work. But should not that be reciprocal accountability?

[157] **Ms Beynon:** Wel, os oes gyda chi gynllun sydd wedi cael ei gytuno, ac mae'n dryloyw, mae pawb yn mynd i fod yn—. Bydd yna scrwtini ychwanegol, byddwn i'n meddwl, beth bynnag. A ydy wedi digwydd? Felly, os oes yna reswm pam nad oedd rhywbeth wedi gallu digwydd a bod yna ohirio fan hyn, yna byddai'n naturiol eich bod chi'n gallu gofyn y

Ms Beynon: Well, if you have a scheme that has been agreed and is transparent, everyone is going to be—. There'll be an additional level of scrutiny, I would think, anyway. Now, has that happened? So, if there is a reason that something hasn't been able to happen and there has been delay here, then it would be natural for you to be able to ask the

cwestiwn, byddwn i'n meddwl. Mae gyda chi brosesau sgrwtineiddio fan hyn, onid oes e? Byddwn i'n meddwl mai trwy sgrwtineiddio trwy eich pwyllgorau chi y byddech chi'n gwneud hynny.

question, I would have thought. You've got these scrutiny processes here, haven't you? I believe that it would be through scrutiny through your committees that you would do that.

[158] **Mark Isherwood:** Okay. Well, one very—again, related to what you said about where the powers go, the UK Government role in the future. The UK Government, in the city deal, for example, or growth deal north Wales, is linking up to GVA, whereas we now have the well-being goals in Wales. How should the two mesh in taking this forward?

[159] **Ms Beynon:** Nid ydw i'n meddwl ei bod yn anodd iddyn nhw blethu gyda'i gilydd, achos mae amcanion strategaeth cenedlaethau'r dyfodol yn holistaidd iawn, ac maen nhw'n cynnwys pob math o bethau, gan gynnwys ffyniant economaidd a chydaddoldeb, nid dim ond yr amgylchedd. Byddwn i eto'n mynd yn ôl at y cynllun. Byddech chi'n adlewyrchu hynny yn y cynllun. Byddech chi—. Ac mae'n dweud yn amcanion y *deal* dinesig—mae yna sôn yn fan hyn hefyd—am bwysigrwydd yr amgylchedd ac yn y blaen. Byddech chi jest yn sicrhau eu bod nhw'n rhan o'r haenau hynny, eich bod chi'n adlewyrchu pob peth mewn un lle. Achos oni bai—ac eto mynd yn ôl—oni bai bod y cwbl lot yn cael ei gydlynu mewn un lle, dyna lle mae'r perygl yn dod nid oes dim asio, nid oes dim cydlynu, nid oes dim ategu, fel eu bod nhw i gyd i fod yn dod at ei gilydd mewn un lle.

Ms Beynon: I don't think that it's difficult for them to mesh together, because the objectives of the future generations strategy are very holistic, and they include all kinds of things, including economic prosperity, as well as equality, not just the environment. I would go back to the scheme again. You would reflect that in the scheme. You would—. And it states in the city deal objectives—there is mention of it here, too—the importance of the environment and so on. So, you would just ensure that they were part of those layers, that you would reflect everything in one place. Because otherwise—and this is returning to a point that's been made—if it's not all brought together in one place, then there is a danger that there is a lack of cohesion, that there is a lack of meshing, that things are not backed up, so that they are all supposed to come together in one place.

[160] **David Rees:** Okay, thank you. Time is almost upon us. I've got just perhaps two final questions, and one relates to you—. You indicated at the

very start that you used to be on or involved very much with WEFO projects, monitoring them. We've had witnesses who've given us indication that previous projects have been very much of a line where they have tried to get funded from set targets, and that those targets don't always meet the regional needs, but the money's there, you look for projects to try and meet something to get the money, and that perhaps hasn't always been meshed with the strategy coming from Welsh Government. Is it your experience that, in fact, in the past, there have been difficulties in matching strategic objectives from Welsh Government and the European programme objectives?

[161] **Ms Beynon:** Na, nid wyf yn meddwl, achos, pan ddechreuom ni ar yr arian Ewropeaidd, rai blynyddoedd yn ôl, mi oedd hi'n amlwg bod yna ddiffyg asio rhwng y project Ewropeaidd a pholisïau'r Llywodraeth hon, ond mae hwnnw wedi gwella dros y blynyddoedd. Erbyn hyn, byddwn i'n dadlau bod polisi WEFO yn adlewyrchu polisi'r Llywodraeth. Hynny yw, mae yna ymdrech fwriadus wedi digwydd i wneud yn siŵr eu bod nhw'n ffitio gyda'i gilydd. Beth sy'n anodd wedi hynny yw sut ydych chi'n mesur effaith prosiect o fewn y cyd-destun yna, ac rydw i'n meddwl ei bod yn gymysgwch—mae yna rai pethau wedi llwyddo ac mae yna rai pethau heb llwyddo cystal. Mae pethau fel Jobs Growth Wales wedi llwyddo. Mae Superfast Cymru wedi llwyddo. Felly, mae yna bethau mawr sydd wedi llwyddo. Mae'n dod yn ôl i'r symleiddio yma, ac, eto, nid wyf yn gwybod a ydy'n bosib yn y byd newydd yr ŷm ni ynddo fe fod rhyw fath o symleiddio prosesau yn digwydd. Achos mae'n rhaid i Ewrop sicrhau bod yr arian yn cael ei wario'n gywir, ond a oes yna berygl

Ms Beynon: No, I don't think so, because, when we began with European funding, some years ago, it was obvious that there was this lack of meshing between the European projects and Government policies here, but that has improved over the years. By now, I would argue that WEFO policy reflects Government policy. That is, there has been this intentional attempt to make sure that they fit together. What's then difficult is how you measure the impact of a project within that context, and I think that it is a mixture—there are some things that have succeeded and there are other things that have not succeeded as well. Things like jobs growth Wales have succeeded, and Superfast Cymru has succeeded as well. So, there are these major things that have succeeded. It comes back to this rationalisation, and, again, I don't know whether it's possible in this new world in which we exist for there to be a sort of rationalisation of processes. Because Europe has to ensure that the money is spent correctly, but is there a danger that we have perhaps overcomplicated things here? I don't know, but I

ein bod ni wedi bod yn gôr gymhlethu pethau fan hyn? Nid wyf yn gwybod, ond byddwn i'n dweud ein bod ni wedi dod i bwynt yn WEFO lle mae yna fwy o gydweddu rhwng y ddau beth.

would say that we have reached the point in WEFO where there is greater meshing between the two things.

[162] Beth oedd yn fy rhoeni fi fwyaf, a dweud y gwir, oedd yr anhawster o fesur project WEFO mewn ffordd a oedd yn economaidd real. Felly, roedd y project yn creu swyddi, roedd y project yn amddiffyn swyddi, efallai, ond a oedd e wedi creu ffyniant economaidd? Nid yw'r ddau beth ddim o anghenraid yr un peth, felly roedd beth ydych chi'n ei fesur yn mynd yn broblem. Ac, wel, mae'n mynd yn ôl i'r un peth: beth ych chi'n mynd i'w fesur?

What concerned me most, I have to say, was this difficulty in measuring a WEFO project in a way that was economically real. So, the project would create jobs, and it would safeguard jobs, perhaps, but had it created economic prosperity? Those two things aren't necessarily the same, so what are you measuring? That became a problem, that question. It goes back to the same thing: what are you going to measure?

15:45

[163] Mae'n rhaid ichi fesur, nid dim jest swyddi, ond ansawdd y swyddi, y sector mae'r swyddi ynddi, lle'n union y mae'r swyddi a'r gwerth i'r economi. Mae e'n fwy cymhleth na jest mesur swyddi wedi eu hamddiffyn neu nifer y bobl wedi cael eu hyfforddi, achos nid yw'r ffaith eich bod chi wedi hyfforddi rhywun yn golygu eu bod nhw'n cael gwaith. Felly, nid oedd wastad llinell uniongyrchol rhwng beth oeddech chi eisiau ei gyflawni a chyrraedd y targedau.

You don't just need to measure jobs, but also the quality of the jobs, what sector those jobs are in, where precisely those jobs are and what value they bring to the economy. It's more complicated than just measuring jobs being safeguarded or the number of people being trained, because the fact that you've trained someone doesn't necessarily mean that they'll find work. So, there wasn't always this direct line between what you wanted to achieve and meeting the targets.

[164] **David Rees:** Is there a possible concern, therefore, that the early days you talked about, which were more disparate, could come back if we have a UK-based policy, and the targets are set by the UK Government, rather than,

perhaps, a policy that allows Wales to set its own targets?

[165] **Ms Beynon:** Wel, ie. Nid fy lle i yw bod yn *negotiator* ar gyfer y Llywodraeth. Byddai'n rhaid ichi, oni fyddai fe? Efallai fy mod i'n mynd i fynd yn ôl eto, mae arnaf i ofn, i'r cynllun yma. Os oes gyda chi gynllun economaidd, mae e'n cynnwys targedau mae pawb yn prynu i mewn iddyn nhw—a bod pob plaid yn prynu i mewn iddyn nhw am gyfnod hir—dyna'r unig ateb sydd gen i, a dweud y gwir.

Ms Beynon: Well, yes. It's not my place to be a negotiator for the Government. You would have to, wouldn't you? But perhaps I'd go back to this plan, I'm afraid. If you have an economic plan that includes targets that everybody buys into—and that every party buys into for a long period of time—that's the only answer I have, really.

[166] **David Rees:** I wasn't trying to put you in a negotiating position, but, perhaps, for us to talk to our Government to try and advise them on what the negotiating position would be is the important thing.

[167] **Ms Beynon:** Wel, ie, byddwn i'n mynd nôl, ac eto efallai byddwn i'n mynd nôl eto i ddyddiau corfforaeth Caerdydd. Beth ddigwyddodd y pryd hwnnw oedd bod yna gytundeb gwleidyddol. So, fe wnaethpwyd dêl wleidyddol rhwng y Blaid Lafur a'r blaid Geidwadol ac fe gadwodd y ddêl yna am tua 15 mlynedd ac oherwydd hynny y llwyddwyd i gael cyfnod clir o ddatblygu. So, mae'n rhaid, ryw ffordd neu'i gilydd, cael rhyw fath o broses lle mae gyda chi barhad i'r strategaeth ac mae pawb yn ddeall beth yw'r strategaeth. Allwch chi ddim gael bob dwy, tair, neu bum mlynedd jest newid.

Ms Beynon: Well, yes, I would go back and again perhaps I would go back to the Cardiff corporation period. What happened then was that there was a political agreement. So, there was a political deal between the Labour Party and the Conservative party, and that deal was kept for about 15 years, and, because of that, they succeeded in having a clear period of development. So, one way or another, you have to have a process where you have continuity for the strategy and everyone understands what the strategy is. You can't have, every two, three, or five years, a change.

[168] **David Rees:** Okay. Thank you. Thank you for that. The time is up on us. Can I thank you very much for your evidence this afternoon? You'll receive a copy of the transcript. If you identify any factual inaccuracies, please let the clerks know as soon as possible. Thank you very much.

[169] **Ms Beynon:** Croeso. Diolch yn fawr. **Ms Beynon:** You're welcome. Thank you.

[170] **David Rees:** We'll wait for our next witness for the final evidence session this afternoon.

15:48

**Ymchwiliad i Bolisi Rhanbarthol—Beth Nesaf i Gymru?—Sesiwn
Dystiolaeth 8
Inquiry into Regional Policy—What Next for Wales?—Evidence Session 8**

[171] **David Rees:** Good afternoon. Welcome to this afternoon's final session. Would you like to give your names and your roles for the record, please?

[172] **Mr Cottam:** Yes, indeed. Good afternoon, everyone. My name's Ben Cottam. I'm head of external affairs for the Federation of Small Businesses in Wales.

[173] **Mr Santos:** Good afternoon. I'm Grant Santos, managing director of a company called Educ8.

[174] **David Rees:** Thank you very much for that. Before we ask Members, perhaps I can start with a very simple question as to how you see the implications and the timing of article 50, regarding the withdrawal negotiations and the impact that may have on structural funds and programmes that follow—not those that have already been established, but programmes that will follow.

[175] **Mr Cottam:** Yes, indeed. I think we as FSB share a concern about any future constriction of funding that otherwise would have been available had we remained part of the European Union. Certainly, the case was made that in Wales there wouldn't be a material impact on that. So, at FSB, we do have a concern about any future constriction. I think there is an issue about—we welcome the guarantees that have been made about those schemes that are already in play, and that provides some consistency and some certainty and continuity, which is, through the whole Brexit process, exactly what my members want to see. But I think where we have an approach, an economic-development approach, in Wales, which is needed over many years, we need

to be able to get an assessment as to the funds that will be able to support that strategically over those years. So, I think there is a need to provide some sort of guarantee as to what that landscape would look like, if we are to sit down and do the hard graft of a new approach to economic development.

[176] **David Rees:** There's obviously been a guarantee by the UK Government to a certain point. Do you therefore feel that there needs to be a stronger guarantee for programmes that may start between now and the time we leave and perhaps beyond the time we leave?

[177] **Mr Cottam:** I don't think it's time limited in so much as it has to happen any time soon, but I think there is a need to assure businesses that the landscape beyond 2020—that we will have the funding that is needed to provide some strategic interventions within the Welsh economy. So, whereas that interim guarantee is welcome, I think we need to get thinking now about what those long-term measures are and we need the funding to be able to support that. So, whether that guarantee needs to be now I'm not sure I've got an assessment now.

[178] **David Rees:** And have you heard enough—obviously, it is hearsay, in a sense, but have you heard enough from the UK Government, as part of this negotiations process, that this would be a factor in its negotiations or is it unclear?

[179] **Mr Cottam:** It's still a little unclear as to what that landscape looks like. Now, there are conversations obviously around the size of that pot. What we would say is, whereas our own membership evidence suggests that there are conversations to be had about the onward quality of spend and how that money should be spent to best benefit the economy, I think that doesn't create necessarily an interpretation that that pot should be smaller. So, we would like to see some movement, some indication, that there will be the protection of that to the level that we would otherwise have expected had we remained within the European Union.

[180] **David Rees:** Okay, thank you. Suzy.

[181] **Suzy Davies:** Yes, thank you. We've heard from other witnesses the fact that it's the EU Commission that sets the guidance, if you like, for how structural funds in particular are spent. Have your members found that to be problematic in the sense that they feel they've had full access to any projects and programmes that might be funded by WEFO?

[182] **Mr Cottam:** Grant might be able to give some perspective on that. I think what we have heard throughout the process, since the coming of Objective 1, is that the processes have been quite laborious. So, in the first tranche of funding, where businesses themselves were encouraged to participate directly, we knew that that was quite a difficult process, that it was a very bureaucratic process. I think that probably still remains. It is right and proper that there is proper analysis, there's accountability and transparency. But I think that's not necessarily always been time-responsive. Where we've had projects that have needed to move quickly to address an economic need, I'm not sure that there is necessarily the deftness, if you like, within the system to allow that to happen. So, there is a tension between accountability and how quickly we can actually deploy funding and deploy structures that will support this. I don't know if Grant, as an organisation that's had direct engagement, would have a different perspective.

[183] **Mr Santos:** We are involved heavily with apprenticeship programmes and also supporting people back into work and have benefitted in terms of the European funding to support learners and support individuals. I think the challenge for us is the longevity, obviously, of that funding and the impact on the business over the next couple of years. I think we're keen to see some sort of long-term commitment, I guess, really, so that we understand the impact of Brexit is and actually what that has on apprenticeship programmes for the longer term, and the impact in terms of communities that we work in as well.

[184] **Suzy Davies:** Well, the existence of ES funding has helped create a number of businesses that are similar to yours—I think that would be a fair observation—rather than existing businesses using or having access to that money to actually perhaps create their own upskilling projects. Looking forward, which is what this committee's going to be doing, what do you think are the aspects of the existing system that would be useful, for your members in particular, to retain? We were talking last week about the foundational economy. Of course, your members are a critical element of that. Do you feel that the current situation has frozen out the foundational economy or has it encouraged it? What should we avoid in the future?

[185] **Mr Cottam:** No, I think the conversation about the development of the foundational economy is timely here. We are at a point where we—and the FSB has encouraged this: a new thinking on economic development, and that was the case despite Brexit anyway. But there is an opportunity now to

organise ourselves differently and to take the very best of that engagement under regional policy. We have also a changing landscape in terms of the movements to city regions within Wales and the obligations that will be laid against local government in terms of statutory responsibility for local government. So, we see all those things as opportunities, but it requires us to organise ourselves very, very differently.

[186] **Suzy Davies:** You might get asked some questions about that, so you don't need to go into too much depth now. Thank you on that. Thank you, Chair.

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

[188] **Eluned Morgan:** Yes, I wanted to ask you about how you'd like to see the future of regional funding. First of all, do you think there should be a UK regional development approach, or should we just ask for the money from the UK Government and say, 'Well, we would have got that from Europe. Can you just carry on? Just give us a lump sum and we'll sort it out'? Or do you think there should be a UK framework for regional policy?

[189] **Mr Cottam:** I don't want to get into elements of politics. What I would say is that the opportunity to determine and engage on local circumstance is very important. We have an economy within Wales—and regionally within the regions—that has very, very different needs from the rest of the UK. I think the ability to bid for the appropriate levels of funding, to address the systemic issues of economic inactivity, for instance, but also to capitalise on some of the more positive measures, whether they be the growth of medium-sized businesses or the growth of the foundational economy, or indeed improvement to infrastructure, requires us to have an analysis in Wales that gives us the certainty that we will be able to bid for that funding. So, I think, for whatever the framework that exists post Brexit, there will need to be the wherewithal for Wales as a community, and that includes business, to be confident that we will get the appropriate levels of funding that we need to tackle those issues.

[190] **Eluned Morgan:** Can I ask you about the way that we might like to organise regional funding in Wales in the future? Are you happy with the idea of a city region approach and the kind of model that that gives? What do you think the delivery infrastructure should be for something like that, if you do think that?

[191] **Mr Cottam:** In principle, if you look at the infrastructure, we have a competence within WEFO now for whatever are WEFO's shortfalls. What it has done is create a system for the administration of the monitoring of funds. So, there is a benefit in retaining that capacity and building in that capacity more locally. I think, in terms of the structures for deployment, the coming of the city regions is welcome. The problem is, at the moment, we have three city regions that largely ignore rural Wales, and I think there is concern within my membership that we have a sort of two-track approach where, if you're within a city region and you're sort of close to larger centres of population, the approach will be more strategic, sort of more focused, and the rural economy will be almost on a sort of different track. So, that's something that we would want to see squared away—we'd want to see resolved. But I think the way of organising ourselves within those mechanisms, within the city regions, the way in which it allows us to collaborate more effectively and to draw in the best sorts of partnerships, including business, is a sensible way to do that. It also allows for any funding that is available—for us to deploy it at a more strategic level, rather than, maybe, the tactical level.

[192] **Eluned Morgan:** It's interesting, that relationship between the strategic and tactical and what others call the kind of bottom-up approach. You've got members who are very small businesses, quite often. Do you think there's scope for us to think in a really different way about regional funding, for example to acknowledge the fact that, actually, we've got a shortage of plumbers in Wales, and to go to a really poor neighbourhood and say, 'Here is a token for you to go on a plumbing course worth £2,000', and you give it to the individual? Or you could choose from a host of different things. What about your members, for example, saying, 'Do you know what? Let's not bother with the big infrastructure projects. Why don't we just make it easy—easier—for people to loan money—small businesses in Wales to loan money—and let them make the decisions??' How creative are you willing to be in terms of what the new world might look like? Is this an opportunity to do that, and have you really given it that kind of breadth, rather than just carrying on doing the same thing?

16:00

[193] **Mr Cottam:** I wouldn't say we've given it that breadth of analysis. What I would say is that the low-hanging fruit in terms of the development of the Welsh economy has probably been picked, so the inward investment landscape, at best, looks uncertain at the moment, and so there is an inherent uncertainty in there. So, we are in the kind of difficult to do, hard

graft stage, and that is the development of the foundational economy and those other more systemic issues: why Wales doesn't have that breadth of medium-sized businesses that have sustainable and localised supply chains, so funds can be aimed at creating that capacity. I think that we recognise, though, the tension between—. You know, there is a finite pot of cash here, and for all the funding interventions, maybe by Government, the first principle should be: how does Government create the landscape for businesses to engage effectively? How does it create the landscape for businesses to be successful?

[194] There is a challenge in terms of minute interventions, in terms of the monitoring—you create a whole new industry of monitoring in and of itself. So, we're pretty pragmatic, but I think what we would like to see in this new conversation is Government and us inviting that analysis from business, to say, 'Okay, maybe not all things are equal and we're starting from first base, but how can we best support you?' What does that enabling business conversation look like? Because I think you will get some innovative thinking from businesses in that, but we have a focus on economic development that has been tracked over many, many years and there is received wisdom, which is probably not helping us. So, whether or not it's down to an uncertainty over future funding or not, I think we need to have that conversation now, because what we can do in the next couple of years, at least, for those actions that are owned by us, is create some stability in the landscape and to engage our own communities more effectively than we have been.

[195] **Mr Santos:** I think there's a positive move in terms of the regional skills partnerships that are set up, which will actually understand the region requirements more. I think the really important thing, from what I see as a business, is that understanding of local need as well, so that those local needs feed in, the structures underneath the regional partnerships feed in, and actually understand what's going on locally, because each area is different, not just each region. Each local area is different as well, and the needs, the skill demands, the challenges within local regions are different, so I think it's important that, underneath the partnerships, we have localism, I guess, really, to feed through and for businesses feel they have a voice then about the challenges within the area.

[196] **Mr Cottam:** If I could just make one further point on this: I think the principle of co-creation is going to be really important. One way in which you can bring the business community into this process is to give them a voice and invite that innovative thinking. So, the idea of co-creation is really going

to be quite important as we organise ourselves, sub-regionally, if you like, within the city regions, to deliver to what will be very sub-regional aims. So, if you have a deficit in skills in a particular area—say, tourism in north-west Wales—then there's the wherewithal for businesses to engage with others to be able to deliver against that aim.

[197] **David Rees:** Jeremy and then Dawn.

[198] **Jeremy Miles:** Just to pick up on a point that you were making, Mr Santos, about that kind of sub-regional skills analysis. It reflects a point that was raised in a conference I ran in my constituency before Christmas, and it just struck me, listening to what you've been saying, and, in fact, in preparing for the debate last week, which Suzy Davies referred to, I was looking for kind of legislative changes that might support some of the things that we've been talking about today. And it struck me—and I wonder what your observations are—that quite a lot of what we're talking about is behavioural change, actually. And obviously there clearly are funding issues that need resolution, and they're major, and there are systemic issues—structural issues, if you like—but do you also take the view that quite a lot of progress can be made by different sets of behaviours? We had Paul Byard from the EEF last week talking about a need for a common purpose, a kind of motivating idea for the economy. Does that strike a chord with you?

[199] **Mr Santos:** I personally think, in terms of ambition, aspiration, we need our communities—and we are based in the Valleys—to buy into a common vision and a common aspiration for Wales. I think mindset is important. I think the impact of some of the programmes that we've dealt with in terms of European programmes have maybe not had the harder impact, but they've had softer elements in terms of self-esteem, confidence building, and helping people get closer to the labour market, even if they may not have actually got into the labour market, and I think we've got to challenge our communities to actually think bigger and actually buy into something different, particularly the Valleys. That's where I'm from, and that's where we're based. I think it's really important that they actually can see the leadership and the vision there and grab hold of it and want to be part of it.

[200] **Mr Cottam:** I think there is something about the behaviours. I think there's something about capitalising on the ability to collaborate more effectively. I think we're quite complacent in Wales, I would argue—that everyone is close to us and our networks are well formed: you can reach out

to anyone. Whether we do reach out to the right people, I think, is a different question. So, I think, again, whatever the challenges of Brexit, it should always be the driver that we collaborate better on the relationships that we have, and sweat that asset more—to use an uncomfortable terminology. But, you know, how do you sweat that asset—the fact that we are closely connected? The political decision makers, I would argue, are more closely connected to the business community than they might be, sort of, elsewhere. So, I think how we realise the benefit of that in delivering to economic development priorities is probably that next stage of the conversation, because there can be a complacency in just saying, ‘We’re a small, well-connected nation’. I would say, so what of that?

[201] **Jeremy Miles:** Yes. Great, thank you.

[202] **David Rees:** Dawn.

[203] **Dawn Bowden:** To a degree, I think you’ve answered it, actually, in response to what Jeremy’s asked. Certainly, I was talking to the local authority in my area of Merthyr Tydfil recently, and they’re doing a huge amount of work with local businesses on supporting with start-ups and that sort of thing. Actually, I think the largest number of start-ups were in Merthyr last year, or certainly around that area. Following on from what you were just saying: in this post-Brexit kind of strategy—and previous to you coming in, we were talking to somebody from the city region deal, and how we can kind of shift the emphasis away from some of the big employment hotspots, like Cardiff and so on, and shift it into the Valleys—do you think that there is a role for local authorities, the city deal, the UK Government and the Welsh Government in actually developing a strategy, which takes people—small businesses—away from some of the obvious places to be setting up and trying to employ people, and moving them into areas like some of the Valleys where we’re struggling? You know, we’ve got the highest levels of economically inactive people et cetera, et cetera. So, do you see that as part of the strategy—the post-Brexit strategy?

[204] **Mr Santos:** I think there’s a fantastic example in Caerphilly of a hub that is helping new businesses to set up—Welsh ICE. There are 150 businesses there doing fantastic work in terms of helping organisations to set up. So, I think there’s a lot of good stuff that’s going on at the moment. Maybe we’re not very good in Wales at shouting about things and shouting about what we’re doing and how well we’re doing. I think we need to look, as you say, kind of greater than the big city and the job kind of conurbation

within the city and actually take that out to the Valleys areas. Although there are going to be challenges—we know—there are people there who actually want to work and can actually have a real impact on the economy.

[205] **Dawn Bowden:** Absolutely.

[206] **Mr Cottam:** If you look at the city region, the most important element of that terminology is the region, perhaps, not the city, and it is the opportunity to look at the region as a whole. If we default to the kind of city entity of that, then we are defaulting to that way of thinking, maybe, that has led to where we are right now. If you look at something, for instance, like the development of the south Wales metro—if the south Wales metro serves only to pull in talent and innovative capacity into Cardiff, then it has failed. It has to serve to spin out that talent and innovative capacity to the whole of the region. I think there are some very significant challenges elsewhere, where you don't have that enabling entity in terms of the metro, but I think we'd need to get to a point of saying, 'How do we look at regions as a whole? How do we allow ourselves to deploy resource and thinking?' It may well be that, for instance, the strategic development in the Swansea bay region is needed further west in Carmarthenshire and Pembrokeshire. It may well be that, in the north Wales growth deal, for instance, there needs to be a bit more attention as to how areas in the north-west could more suitably benefit—areas that are further away from those hubs of population. But this new way of thinking, and the collaboration that it brings, in terms of bringing this institution, Members of Parliament, local government and business together—that's actually quite exciting, if we can get that collaboration right, and it does give an opportunity for a new type of thinking. But I would argue that the regions part is as interesting as, if not more so than, the city part.

[207] **Dawn Bowden:** Yes, absolutely. Okay. Thank you, Chair.

[208] **David Rees:** Mr Santos, you identified the hub in Caerphilly, which is ICE, I think it was. Can I ask you: do you think that was created as a result of regional policy or despite regional policy?

[209] **Mr Santos:** It's a difficult one for me to answer, if I'm honest, but I think, in terms of the hub—and I know the people who have actually set it up and are doing a fantastic job there—that's been created out of some real desire and will and ambition from people to support new businesses. And, you know, what you've got within that area is a real, vibrant ecosystem, I guess, I think they call it, which is helping businesses—150 businesses, I

think, are working there now. I've been involved in the ESpark in Cardiff as well. That's another ecosystem being set up, and I think, for individuals who are looking at establishing their own businesses, there are some fantastic support structures being put in place to enable that to happen. So, I probably haven't answered the question, but—

[210] **David Rees:** It would be interesting, then, to understand whether such hubs are able to benefit from regional policy investment as a consequence of that, because you've talked about regional, and in a way, we've talked very much this afternoon about city regions, and one of the questions that's always being asked, and Kevin Morgan asked the question, is: should we be area-based or needs-based as a policy? And we've discussed nothing but area-based this afternoon. I just wondered what your views are as to—. You know, you talked about the Valleys compared to the city, but that's because of the needs, effectively.

[211] **Mr Cottam:** It's a very difficult either/or, isn't it, area-based versus needs-based. We will continue to face really substantial challenges in terms of the relative needs of certain areas of Wales, and I think it's sensible to have that focus on the interventions where they can get the best bang for the buck and where they can have, you know, the best result. I think, though, the city region approaches allow at least for a different identification as to where those areas of need are, and also by what characterisation we have arrived at that assessment. So, it is a difficult either/or.

[212] In terms of your previous question on the infrastructure surrounding incubation, for instance, I think that development was enabled by regional policy, and regional policy allows us to have a Wales-based conversation about what that menu of incubation might look like around Wales. So, for instance, Welsh ICE is but one model of incubation. Another one, as we've suggested, might be the repurposing of vacant space in town centres in Wales, you know, to provide for commercial premises that might not be retail. Now, regional policy at least allows for an outline analysis of that within the context of Wales and within the context of the city regions of Wales. So, it does enable us to think in that way.

[213] **David Rees:** Okay. Thank you. Steffan.

[214] **Steffan Lewis:** Do think there's a danger with the city region concept that, actually, it's about lines on maps and creating nice new identities and logos and boards and shadow boards and all the rest of it, when we know

there are committees in Wales that are struggling with economic inactivity, low GVA, high levels of ill health, and we've known that for many decades? And, actually, for a country of 3 million people, it should be possible to deliver great change at national level in partnership with the hyperlocal, because we are at risk of missing out communities from the whole city region idea. So, you know, it's about skills, infrastructure, the general business environment and, crucially, buy-in from communities. I mean, those are the four ingredients that the OECD identifies as being the ones that, when they're done correctly for regional policy or national policy or local policy—if they're done right, they can work. But if they're not, or one of them doesn't work out, then it won't work. I fear that the danger of saying that £1.2 billion of a city deal over 20 years is going to transform the lives of people in the south Wales coalfield, who've been through deindustrialisation, I fear that we are looking at the wrong—. We're being distracted from the actual issues themselves. What you think about that?

[215] **Mr Cottam:** I've created a distinction between the city deal and the city regions. The city deal is effectively a product, isn't it? You know, a product with a defined sum of money.

16:15

[216] The city region is very much more structural—it's the way in which we organise ourselves and the way in which we organise ourselves to think about the needs of the communities within that region.

[217] I think I would agree to some extent with the 'lines on a map' comment. There's a real danger that that becomes our default thinking. So, it's easy to think that, for instance, mid Wales is the bit that's left out—well, it's not; it's actually rural enterprise and the rural economy that's left out of this thinking. I think that businesses in north-west Wales and south-west Wales may well feel, at least, that they are left out of the thinking. So, we need to understand the characteristics of those: what is common in terms of the problems that we face in growing rural enterprise, for instance? Some of those may be more difficult, given the conversations around Brexit and what may or may not come from the common agricultural policy and subsidy, for instance.

[218] So, we know that we can't default to the lines on a map, because we know that there is an opportunity to think differently about different areas, and I would cite the rural economies and rural enterprise as one example of

that. So, we need to be aware, but at least the city regions allow us to organise ourselves—to physically organise ourselves differently than we have done in the past.

[219] **Seffan Lewis:** Sorry, just to come back, wasn't devolution meant to do that?

[220] **Mr Cottam:** Sorry?

[221] **Steffan Lewis:** Wasn't devolution meant to do that? The point that I'm trying to make is that 20 years ago, it was about a devolution dividend and now, 20 years later, we're talking about regional economic development being the silver bullet that's going to save us all, when, frankly, there are communities that some of us represent that exist today because of heavy industry 200 years ago, and since deindustrialisation, we haven't reinvented, or allowed our communities to be reinvented, in terms of their new industrial future or a new economic future. It doesn't matter whether you've got a city region of 1.5 million people or 1 million people or a nation of 3 million—the problem is still the same.

[222] **Mr Cottam:** I wouldn't want to detract from the work that goes on now in terms of that collaboration. We do collaborate effectively in Wales in many areas. I think this is the next conversation in devolution. The FSB was very clear, in its manifesto for the elections last year that we wanted to see a statutory responsibility for local government. So, it was very much about that empowerment of local government entities, whatever they might look like. I think that was predicated on a local government merger at the time. But we did feel that there was an opportunity to instil responsibility for local economic development that recognised that local need. But I think that's not to detract from the work that's taken place since devolution to draw together a conversation about the needs of Welsh communities and the economic development imperative within those communities.

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

[224] **Mark Isherwood:** You made two references to north-west Wales, and I welcome that. The Federation of Small Businesses is a member of the north Wales business council, which is then also working as part of the North Wales Economic Ambition Board. How do you respond to their belief that the north Wales growth vision document, which they've put together across the sectors, does seek to reconcile area-based and needs-based approaches, both

reversing the decline in relative GVA in the north-east and increasing GVA in the north-west and involving local authorities, businesses, Bangor University and the FE sector in the north-west very much in that proposition?

[225] **Mr Cottam:** I think our experience of the north Wales growth deal so far is positive. When I talk about the way in which it engages players to collaborate differently, that's a great example. FSB as an organisation and our membership within the region hasn't had, I would argue, that very focused conversation about the needs of north Wales—the economic development needs and the skills needs in north Wales that it has now. So, I think we would agree with the analysis so far of the North Wales Economic Ambition Board and I think we're keen to see the deal put away, as we are in Swansea bay as well. We're keen to see movement on those deals. But that is a great example of how necessity and that opportunity and that drive have organised business in a very different way and have created new collaborations and new relationships with FE particularly, but with HE and local government as well, to have that regional assessment of need. I think that's been very positive from our perspective.

[226] **Mark Isherwood:** Is that reconciling area-based approaches and needs-based approaches as it proposes?

[227] **Mr Cottam:** Yes. I think the balance right now seems to be struck well. Check against delivery.

[228] **David Rees:** Time is almost upon us. Can I just ask a final question? In looking at the structural funding and the regional policy position as operated today—not as it operated when it first came in—do you believe that we can actually move forward with that type of structure and those procedures in place for the city regions? Will they actually be able to exist with the current structure, or do we have to have a new type of structure to work with the city regions, if that's the way we're going forward?

[229] **Mr Cottam:** I'm not sure I've got an analysis that would give a definitive answer for that. What I would say is that there is a danger of fragmentation. So, if we were to create lots of bespoke structures within Wales for the delivery of whether it would be the defining strategy and the delivery of strategy, or whether it would be the delivery of funding or any other mechanism, I think there's a problem in creating a multiplicity of structures that, particularly from the role of business, confuses business. We want to see this sort of consistency in the landscape across Wales that allows

businesses to move throughout Wales and growing throughout Wales, wherever they may be. Many of my members will have centres of multiple operation within Wales. So, it needs to be easy and accessible. I think, if you look at the infrastructure that supports, as I mentioned, we have WEFO. There is a capability and a competence within WEFO that have grown up alongside the track of European structural funding, which will hopefully be deployed well in whatever landscape that exists beyond it. But I think there is a danger in creating multiple structures, depending on where you are. Now, I do recognise the irony, given that we are arguing for areas to identify their priorities. It may well be that you need an umbrella under which they operate. Indeed, in terms of economic strategy, what we would argue is that the Welsh Government provides a strategy umbrella for all this activity to take place. But we would like to see much more local identification of need and measures to address that need.

[230] **David Rees:** And Mr Santos, can I just ask you that question? Because, obviously, you are a practitioner. You might be a beneficiary or actually have to work under the current procedures.

[231] **Mr Santos:** Yes. I think bureaucracy is a big issue for us, and if we can create a more efficient and effective system, I think we can get the funding down to the ground level and have more of an impact than we previously may have had. I think that's what we see as really important. I think I mentioned earlier about having, really, a vision and actually a long-term plan of where we're going. We've got staff employed within our organisation and when the decision was made last year, they were asking us the question, 'What does that mean for our futures?' We've got businesses that we work with asking the question, 'How do you reconcile and invest in our workforce against not knowing what's going to happen over the next 12 to 18 months?' I think we need to provide that clarity as quickly as we can, if possible. I know it's difficult, but if we can utilise some of the expertise that's already in the system but try and learn lessons from the past—because there are lots of lessons to learn—and really make sure that that money gets to the bottom line and gets to the individuals and communities that it needs to.

[232] **David Rees:** Okay. Just one final point, Mr Cottam. I won't ask Mr Santos because I don't want it to be too personal to you with your business. If we leave the EU—we are going to leave the EU—and we don't have some form of regional policy and funding put in place, have your members indicated what the likely impacts upon job losses would be as a consequence of that, without the funding?

[233] **Mr Cottam:** No. We are in the process, as an organisation across the UK—and we will have a Welsh perspective of this of undertaking four streams of work; and among those streams of work are skills and labour, but also funding. That has taken an analysis of funding as it's been deployed to date. But also, hopefully, then we'll identify some of the priorities for funding beyond our exit from the European Union. So, that analysis and that evidence gathering are under way at the moment. We don't have a definitive view from membership as to what the consequence would be, should regional policy not be in place, though.

[234] **David Rees:** Okay. Thank you. Any other questions? No. Well, can I thank you very much for your evidence this afternoon?

[235] **Mr Cottam:** Thank you for the opportunity.

[236] **David Rees:** It's been very helpful. You will receive a copy of the transcript. If there are any factual inaccuracies, please let the clerks know as soon as possible so that it can be corrected. Thank you very much.

[237] **Mr Cottam:** Thanks, all. Thank you very much indeed.

[238] **Mr Santos:** Thank you.

16:24

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

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

*accordance with Standing Order
17.42(vi).*

Cynigiwyd y cynnig.

Motion moved.

[239] **David Rees:** We will move on. Therefore, under Standing Order 17.42, I recommend that we move to the remainder of this session in private. Are Members content? Thank you. We'll move to private session.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 16:25.

The public part of the meeting ended at 16:25.