



# **Cynulliad Cenedlaethol Cymru** **The National Assembly for Wales**

## **Y Pwyllgor Craffu ar Waith y Prif Weinidog** **The Committee for the Scrutiny of the First Minister**

**Dydd Mercher, 20 Tachwedd 2013**  
**Wednesday, 20 November 2013**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

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.

### **Aelodau'r pwyllgor yn bresennol** **Committee members in attendance**

Paul Davies

Ceidwadwyr Cymreig  
Welsh Conservatives

Elin Jones

Plaid Cymru

## The Party of Wales

David Melding	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Sandy Mewies	Llafur (yn dirprwyo ar ran Ann Jones) Labour (substituting for Ann Jones)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

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

Carwyn Jones	Aelod Cynulliad, Llafur (Prif Weinidog Cymru) Assembly Member, Labour (The First Minister of Wales)
Eleanor Marks	Dirprwy Gyfarwyddwr, Yr Is-adran Gymunedau, Llywodraeth Cymru Deputy Director, Communities Division, Welsh Government
James Price	Cyfarwyddwr Cyffredinol, Yr Economi, Gwyddoniaeth a Thrafnidiaeth, Llywodraeth Cymru Director General, Economy, Science and Transport, Welsh Government

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

Stephen George	Clerc Clerk
Kathryn Thomas	Dirprwy Glerc Deputy Clerk
Graham Winter	Y Gwasanaeth Ymchwil Research Service

*Dechreuodd y cyfarfod am 09:45.*  
*The meeting began at 09:45.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introductions, Apologies and Substitutions**

[1] **David Melding:** Good morning, everyone, and welcome to this meeting of the Committee for the Scrutiny of the First Minister. I will start with the housekeeping arrangements. We do not expect a routine fire drill, so if we hear the alarm, please follow the instructions of the ushers. These proceedings will be conducted in Welsh and English, and when Welsh is spoken there will be a translation on channel 1. Channel 0 will amplify our proceedings. Switch off all electronic equipment completely, because even on 'silent' mode it will interfere with our recording equipment.

[2] Members will want to note that Ann Jones has been elected to the committee in place of Ken Skates. However, she has had to send her apologies for this morning's meeting, and I am delighted to welcome Sandy Mewies who is substituting for her.

**Craffu ar Waith y Gweinidog: Cydberthynas Llywodraeth Cymru â'r Trydydd  
Sector a'r Sector Preifat  
Ministerial Scrutiny Session: The Welsh Government's Relationship with the  
Third and Private Sectors**

[3] **David Melding:** I am delighted to welcome the First Minister, Carwyn Jones, this morning. First Minister, do you want to introduce your team?

[4] **The First Minister (Carwyn Jones):** I have James Price to my left and Eleanor Marks to my right, who I think are well known to members of this committee.

[5] **David Melding:** I would like to say, First Minister, that we thought that we had an excellent committee session in Wrexham, and we very much hope that this morning's session will be equally as productive. Just to remind you, we have agreed a series of questions and I will go around the Members in turn to ask a block of questions, then I will allow supplementary questions, and then we will move on. To spice things up, there will be a series of questions that we have had from members of the public and various organisations via Facebook and Twitter. We did that last time, as you may recall, so I know that you will respond vigorously to those questions as well.

[6] We will start with the Government's relationship with the voluntary or third sector in general. I will ask Sandy Mewies to take us through the first area of questioning.

[7] **Sandy Mewies:** Good morning. Regarding the refresh of the relationship with the third sector and the changes that you are considering, what will your priorities be for the third sector, First Minister, and how will support for the sector be co-ordinated across the Welsh Government? If there is a need for change, a change in priorities, what underpins that? Given that the third sector is so wide, so varied and so diverse, how will you cope with the spread across Government? Will there be cross-the-piece strategies?

[8] **The First Minister:** 'Delivery' is the watchword as far as the third sector is concerned, and support to ensure that delivery happens. The draft third sector scheme, which has been issued, as members of the committee will know, contains our views on the strategic direction of the third sector. As part of the scheme, an annex that deals with the code of practice on funding is also included.

[9] There are issues that will need to be explored in the future that have not been explored in the past, for example whether there is scope in the future for some models to be based on commissioning rather than grant funding. That is an open question, and it is not something that the Government has taken a view on as yet. There will be questions as well in terms of regional working, for example whether there are ways of ensuring that there is more effective delivery by organisations working together over a wider area. These are all matters that we are looking at. The watchwords for us are to ensure that we work with the third sector, rather than impose duties and work on the third sector that it is not prepared for.

[10] **Sandy Mewies:** One of the things that have been clearly outlined is the need for the third sector to work in line with Government priorities, and to work together to achieve outcomes that can be agreed. For some organisations, I guess that that will be something that they are used to, but for smaller organisations, perhaps it will not. How will you fit in the different jobs that the different organisations do in delivering the outcomes that are agreed between you?

[11] **The First Minister:** We have had to re-examine the way in which we secure the right outcomes from third sector organisations. For example, I have had numerous discussions with

the Permanent Secretary in the light of what happened with the All Wales Ethnic Minority Association to ensure that such a situation does not happen again.

[12] It is important, of course, that the very small organisations are able to work together, whether that is done through local compacts or through regional working, and that they are able to access the right level of advice from the county voluntary councils, which is also important. There are proposals in the draft scheme as to how we can work more effectively with third sector organisations, particularly the smaller ones, to make sure that they are delivering what we, as a Government, would want to see them delivering.

[13] **Sandy Mewies:** Third sector organisations can be, and are, very professional organisations in the way that they work, but there is something else about them, is there not? There is another level to them, which is very often the volunteering level. Does the Welsh Government recognise that and allow for that in asking them to fit into this method of working?

[14] **The First Minister:** There is a balance to be struck between ensuring that organisations are delivering without imposing on them a burden that they cannot carry. We are well aware of the fact that without their volunteers, third sector organisations would not exist. That is why we have schemes, such as GwirVol, to ensure that people do volunteer or are encouraged to volunteer. We tend to find that organisations are keen to deliver. They have keen and able volunteers and they want to make sure that they make a difference in the communities that they serve. So, we tend to find that that help, particularly the help that we give, is accepted, and organisations in the third sector do want to deliver according to the Government's priorities, as long as we have a set of priorities that they agree with. That is why we have the third sector partnership council. That is why we consult widely, particularly as we are now on the draft third sector scheme. Clearly, there has been a need to ensure that our auditing arrangements are tightened in the wake of what happened with AWEMA.

[15] **Sandy Mewies:** How will that be monitored? How can you ensure that that will happen and that those outcomes are achieved?

[16] **The First Minister:** Each department is now responsible for monitoring the third sector organisations that that department funds. They will be far more proactive in terms of ensuring that the money is spent appropriately. Third sector organisations have been made aware that Welsh Government officials, and indeed auditors, will be able to visit their organisations in order to ensure that they are spending money as they should; and, of course, the vast majority of them will do so. We have to remember that. However, departments will be a great deal more proactive in terms of monitoring the outcomes of third sector organisations that are funded by them in the future.

[17] **Sandy Mewies:** One of the things that the third sector is expected to do now is to work regionally. I know that that is certainly happening in my area, to an extent. Obviously, they cannot do everything regionally, and there has to be recognition of that. I think that there are some misgivings. The elephant in the room, of course, is what may happen in the future with local authorities, is it not, with the re-organisation of local authorities? If voluntary and third sector organisations start reorganising to match regional working, there is a danger that it might not necessarily match what the set-up is in the future. Is that something that officials are looking at or thinking about? I know that you cannot make any predictions about what will happen in the future, but that does not alter the fact that the third sector is already worrying how setting up this sort of structure to work regionally will affect it in the future.

[18] **The First Minister:** We do not yet know, of course, what the Williams commission will recommend, but, nevertheless, regional collaboration will be important in the future. I understand that many organisations are particularly local in their focus and they will be

worried about losing that local focus. It may well be that there are examples of where very local delivery works, but there will be other examples, I believe, of where wider working across a wider region will deliver more for less, if I can put it that way, in these difficult financial times. So, for example, organisations with similar footprints might be able to work together in order to deliver savings while, at the same time, maintaining or enhancing front-line support. Collaboration will be needed regardless of what the detailed recommendations of the Williams commission actually are, and it is important that organisations can work together across regional boundaries, without necessarily thinking about what the political boundaries might look like.

[19] **Sandy Mewies:** Finally, from me, there is a decision not to go for a compacts Bill, but to strengthen the existing partnership working arrangements. How are you going to do that?

[20] **The First Minister:** Through the use of funding. We do not see that the Bill is needed at this moment in time. We do find, of course, that, if you have the right structure in terms of grants, and possibly commissioning, it is possible to see that regional delivery in terms of offering, as it were, a carrot rather than a stick. So, the Bill is not being pursued at this time as a way of encouraging wider working—we think that that can be done through the funding schemes.

[21] **David Melding:** Paul Davies is next.

[22] **Paul Davies:** Brif Weinidog, nid wyf yn glir o hyd ar beth yw eich *philosophy* chi, fel Llywodraeth, o ran y trydydd sector. A ydych yn credu y bydd y trydydd sector yn gyfrifol am ddarparu mwy o wasanaethau cyhoeddus yn y dyfodol? Ai dyna yw eich nod chi: defnyddio'r trydydd sector i wneud hynny?

**Paul Davies:** First Minister, I am still not quite clear on what your philosophy is, as a Government, in terms of the third sector. Do you believe that the third sector will be responsible for delivering more public services in the future? Is that your aim: to use the third sector to do that?

[23] **Y Prif Weinidog:** Wel, ynglŷn â'r trydydd sector, mae'r trydydd sector yn bwysig dros ben i ddechrau. Mae'n rhaid i ni gofio, wrth gwrs, yn ystod y flwyddyn gyllidol ddiwethaf, cafodd y sector £323 miliwn o gyllid—roedd dros 900 o gyrff ar draws Cymru wedi cael eu cyllido yn ystod yr amser hwnnw. Rwyf yn credu ei bod yn wir i ddweud y bydd mwy o gyrff gwirfoddol yn delifro gwasanaethau yn y dyfodol. Efallai, er enghraifft, y bydd rhai awdurdodau lleol yn ystyried dilyn y model hwnnw yn eu hardaloedd. Ynglŷn â'r athroniaeth y tu ôl i'r peth, yr athroniaeth yw gweithio gyda'r trydydd sector, ond nid rhoi dyletswyddau ar y trydydd sector nad yw'n barod amdanynt, neu nad yw'n mo'yn. Dyna yw'r gwahaniaeth, efallai, rhyngom ni a Llywodraeth y Deyrnas Unedig: rydym ni'n mo'yn gweithio gyda'r trydydd sector. Nid oes dim byd yn bod â'r trydydd sector yn gwneud pethau yn y gymuned, ond mae'n rhaid i ni sicrhau nad modd o drosglwyddo

**The First Minister:** Well, with regard to the third sector, the third sector is exceptionally important to begin with. We must remember, of course, that, during the past financial year, the sector received £323 million in funding—over 900 organisations across Wales were funded during that period. I think that it is true to say that more voluntary organisations will be delivering services in the future. Perhaps, for example, some local authorities will consider that model in their areas. With regard to the philosophy underlying all of that, the philosophy is to collaborate with the third sector, but not to impose duties upon the third sector that it is not ready for, or that it does not want. That is the distinction, perhaps, between us and the United Kingdom Government: we wish to work with the third sector. There is nothing wrong with the third sector doing things in the community, but we must ensure that it is not a means of transferring responsibility from the public sector to the voluntary sector, but rather a

cyfrifoldeb o'r sector gyhoeddus i'r sector gwirfoddol yw, ond modd o weithio gyda'r sector.

way of collaborating with the sector.

[24] **Paul Davies:** Fodd bynnag, rydych yn cydnabod, wrth gwrs, fod y trydydd sector yn chwarae rôl enfawr wrth ddarparu gwasanaethau cyhoeddus, ac rydych chi, fel Llywodraeth, yn gweld y bydd yn gwneud hynny yn y dyfodol—bydd yn parhau i wneud hynny, ac rydych chi'n mynd i fod yn bositif wrth ei gweld yn gwneud hynny.

**Paul Davies:** However, you recognise, of course, that the third sector does play a huge role in the delivery of public services, and you, as a Government, see that it will be doing that in the future—it will continue to do that, and you are going to be positive in seeing it do that.

[25] **Y Prif Weinidog:** Heb os nac oni bai, rydym yn gwybod pa mor bwysig yw gwaith y cyrff gwirfoddol. Nid oes nod i dynnu gwaith oddi wrthynt o gwbl, a bydd cyrff yn y trydydd sector yn bwysig dros ben o ran sicrhau gwasanaethau yn eu cymunedau yn y dyfodol. Nid ydym yn ystyred y cyrff hynny fel rhyw fath o broblem o gwbl. Rydym yn deall gwerth y cyrff o ran yr hyn y mae'r gwirfoddolwyr yn ei wneud, a hefyd o ran yr hyn y maent yn ei wneud yn eu cymunedau.

**The First Minister:** Without a doubt, we know how important the work of voluntary bodies is. There is no aim to take work away from them at all, and third sector organisations will be exceptionally important in securing services in their communities in the future. We do not consider those bodies as any kind of a problem whatsoever. We understand the value of the organisations in terms of what the volunteers do, and also in terms of what they do within those communities.

[26] **David Melding:** Eluned is next.

[27] **Eluned Parrott:** Thank you, Chair. First Minister, you mentioned, among these changes, the idea of trying to get more for less, if you like, from larger organisations. Obviously, that will be of concern to some smaller community organisations. In fact, I visited one yesterday in my own region that is concerned about this, because it does not feel that it has the capacity to grow to become big enough to compete in that kind of marketplace. How is the Welsh Government going to support those very valuable grass-roots organisations to allow them to thrive in this new environment?

[28] **The First Minister:** There will be some organisations that, because of their specialist nature, will not be able to work on a wider basis, and we recognise that. What we want is for those organisations that are able to work with others and to work more widely across a bigger area to have the ability to do so. One of the concerns that I am sure that smaller organisations might have is that, if we were to move to a commissioning model, that would favour the bigger organisations. We are very much aware of that. If you look at the draft scheme, that is something that is gone through in some length. The problems are recognised, and so no decision has been made in terms of what particular routes to take. It may be that grants are appropriate in some circumstances, and that commissioning might work in others. However, it is certainly not the intention—either deliberately or, indeed, unknowingly—to, effectively, cause or create problems for smaller organisations that would cause them to close down. It is a question of getting the mix right in terms of being able to fund third sector delivery.

10:00

[29] **Eluned Parrott:** That is welcome. However, I think that you will recognise that networking as an activity has a cost—it has a resource cost in terms of man hours, but it also has a resource cost in terms of, potentially, transport and other resources. How are you going to ensure that these smaller community organisations, which are very stretched for cash, are

able to engage in that process effectively?

[30] **The First Minister:** We would, of course, expect the county voluntary councils to have a role here, because it is not realistic to expect very small organisations to be able to have their voices heard at the heart of Government if they tried to do that themselves, nor is it possible sometimes for very small organisations to understand everything that is going on in terms of policy development, in terms of legislation, or in terms of what grant funding is available. That much we accept, which is why the CVCs play such an important role in being able to provide advice as part of the third sector infrastructure to smaller organisations. We all know, of course, that there are some third sector organisations that are very large and well able to present their case to policy makers; there are others that have to rely on the advice that they receive from the CVCs.

[31] **David Melding:** We should say that we had a very similar question to the one that has just been put by Eluned from Interlink RCT. It asks:

[32] ‘How does Welsh Government meaningfully involve the third sector, especially small, locally based community and voluntary organisations and social enterprises, in setting its priorities?’

[33] The vast bulk of the voluntary sector is very local, and we do not want to lose the magic of the innovation that that can often create, and the grass-roots relevance.

[34] **The First Minister:** That is absolutely true, Chair. If we look at the third sector infrastructure, we have local organisations, we have volunteer centres, we have the CVCs, and, ultimately, of course, we have the third sector partnership council. It should be possible for a local organisation to make its view known via the CVCs, and, ultimately, to Government. That is how the system should work.

[35] **David Melding:** May I just take you back to this issue of the third sector compacts Bill not now being introduced? I think that you said that you have no current intention to introduce one: you have not ruled it out for the future, but it is unlikely to be proposed in this Assembly. That is quite a big decision. I know that you feel that you can achieve those immediate aims in a different way. However, looking at the whole review that you have conducted, which I think has been robust and has clearly brought forward some very focused suggestions about reviving and refreshing the voluntary sector-Welsh Government link, is there something strategic or visionary that has been lost from the early days, when Wales led the world, practically, I think, in having statutory responsibility for a voluntary sector partnership? We have heard from some of the key partners that they feel that there is not that shared vision that there was in the early days, and that legislation—perhaps more widely than a compacts Bill; perhaps a voluntary sector Bill—that established the wider vision that the Welsh Government has, and that society in general has, for the voluntary sector, would be a real opportunity to mark it out as a key area in which we are going to invest an awful lot in terms of the development and the delivery of public policy. Have you missed a trick here, do you think?

[36] **The First Minister:** I think that legislation has to be considered not as a first resort, but where other things have not been effective. We believe that, by working with the third sector—either through the partnership council, or via the third sector scheme—and using our funding, as well, in order to provide direction for the third sector, that is a way of achieving precisely what legislation might have achieved, but without the need for legislation. I think that, with legislation, you put yourself in a position where you have to ask what it is meant to achieve; there is no point in having legislation that is full of good intentions—that is not what legislation is designed to achieve. The position that we have taken is that we believe that whatever a Bill could achieve can be achieved in other, and quicker, ways.

[37] **David Melding:** Okay. What about some sort of more expansionary statement of the Government's purpose in this field—do you think that that might be welcome?

[38] **The First Minister:** I think that the draft third sector scheme—and it is obviously a very substantial document, including the annex—contains a clear synopsis of what the statutory position is, and what we want to do. Chapter 2, for example, deals with the relationship between the Welsh Government and the third sector, talks about how to support the third sector, and talks about funding the third sector. So, that document is actually, I would argue, a substantial statement in terms of what our view is in terms of the third sector, how it should work in the future, and what we are going to do to support it.

[39] **David Melding:** Before we move on to the next set of questions, we have had this question from Project Sol:

[40] ‘What evidence is there that the Welsh Government is “taking seriously” the third and voluntary sector as a means of delivering real change in education and health?’—

[41] two key areas, obviously, of public policy.

[42] **The First Minister:** We know, of course, particularly with regards to health, that the third sector is exceptionally important in terms of what it does, in terms of supporting people, in terms of providing information for people, and, indeed, in terms of providing services for people. We can look, for example, at bigger organisations, such as Macmillan, in terms of what they do with their information services, and, indeed, with the nurses that they provide. We will all be aware, of course, of more local organisations, much smaller, that provide a service that, as we know, will relieve the pressure on the NHS. We have recognised that for a long, long time. We want to ensure, first of all, that those organisations that are already providing those services are supported to do so, recognising that, if they did not provide the service, we would have to, and, secondly, to enable them to expand those services in the future.

[43] **David Melding:** I suppose what the question is also getting at is that, other things being equal, would you like to see a larger or smaller voluntary sector component to these vital public services?

[44] **The First Minister:** I would not want to see a smaller component. It is important to state that we certainly have no plans—I will state that more strongly: we certainly have no intention of removing from the voluntary sector and taking, as it were, in-house the work that it does. I want it to be clear that we see the third sector as an exceptionally important partner for Government—not subordinate to Government, and certainly not a rival to Government. In terms of whether there are possibilities that the voluntary sector could do more in the future, there are possibilities, but, as I said, it comes back to ensuring, first, that the sector can deliver, and, secondly, that the capacity is there. I do not want to be in a position of ever saying to third sector organisations, ‘You go off and do that now because we are not doing it anymore’. I think that that causes problems.

[45] **David Melding:** That is nicely put, and I am sure that that is echoed in the sector, First Minister. I ask Elin Jones to take us through the next set of questions.

[46] **Elin Jones:** Brif Weinidog, rydych ymwybodol bod y sector a'r WCVA, fel corff ymbarél yn y sector, yn feirniadol iawn ac yn bryderus iawn o ran symud, o bosibl, o gyllido drwy grantiau i gyllido drwy **Elin Jones:** First Minister, you are aware that the sector and the WCVA, as an umbrella body in the sector, are very critical and concerned about the possible move from funding on the basis of grants to contract-

gytundebau. Rydych eisoes wedi crybwyll eich bod yn ymwybodol o rai o'r materion sydd ynghlwm â hynny, a'r problemau. Rydych wedi dweud eich bod, fel Llywodraeth, heb ddod i unrhyw gasgliad ar hyn o bryd; a gaf ofyn ichi, felly, beth yw'r broses yr ydych yn mynd drwyddi yn awr fel Llywodraeth i ddod i gasgliad, a beth yw'r amserlen ynghyd â hynny?

[47] **Y Prif Weinidog:** A gaf i gyfeirio Aelodau at dudalen 36 o'r cynllun drafft, lle mae'r cwestiwn hwn yn cael ei ystyried? Mae'n dweud bod hwn yn rhywbeth cymhleth iawn. Nid oes ateb clir, neu *hard and fast*, i'r cwestiwn a ddylai'r Llywodraeth ystyried cyllido drwy grantiau neu gomisiynu gwaith. Felly, ynglŷn â'r cam nesaf, mae'r cynllun hwn yn gynllun drafft ar hyn o bryd, ac rydym yn mo'yn i bobl sicrhau eu bod yn rhoi eu barn ar y cynllun, ac mae pobl wedi gwneud hynny—mae lot fawr o ymatebion wedi bod i'r cynllun. Felly, rydym yn ystyried yn awr yr ymatebion yr ydym wedi eu cael i'r cwestiwn hwnnw cyn gwneud penderfyniad am y ffordd ymlaen.

[48] **Elin Jones:** A ydych yn credu ac yn hyderus ar hyn o bryd fod y sector yn ddigon masnachol yn y ffordd y mae'n gweithredu i fod yn gallu cystadlu, i bob pwrpas, am gytundebau sector cyhoeddus? Os nad ydych yn credu bod y capasiti masnachol yn y sector yn ddigon eang ar hyn o bryd, a ydych chi'n credu bod gan y Llywodraeth rôl i ddatblygu'r agwedd honno ar y sector, yn enwedig ynglŷn â chyfeirio'r sector at y modelau hynny sy'n fodolau o fenter gydweithredol a chymdeithasol, fel bod y sector yn fwyfwy yn mynd i lawr y trywydd hwnnw, yn hytrach na'r trywydd traddodiadol o fod yn sefydliadau elusennol yn unig?

[49] **Y Prif Weinidog:** Nid wyf yn credu ei bod yn bosibl dweud y bydd pob corff gwirfoddol yn gweithredu yn yr un ffordd. Bydd rhai, wrth gwrs, yn fwy masnachol na'r lleill. Nod unrhyw gorff elusennol yw codi arian, ac mae rhai wedi bod yn llwyddiannus iawn yn hynny o beth; dyma beth sy'n cadw nifer fawr ohonynt i fynd. Bydd rhai cyrff eraill, megis cyrff masnachol cymdeithasol, yn ystyried modelau eraill ynglŷn â'r ffordd y maent yn gweithio. Rydym eisiau sicrhau bod

based funding. You have already mentioned that you are aware of some of the issues that are involved in that, and the problems. You have said that you as a Government have not come to any conclusion on this matter as yet; may I ask you, therefore, what is the process that you are going through now as a Government in order to come to a conclusion, and what is the timescale for that?

**The First Minister:** May I refer Members to page 36 of the draft scheme, where this question is considered? It states that this is an exceptionally complex issue. There is no hard and fast or clear solution to the question of whether the Government should consider grant-based funding or contract-based funding. So, with regard to the next step, this scheme is in draft form at present, and we want people to ensure that they give their views on the scheme, and people have done so—we have received very many responses to the scheme. We will now consider the responses that we have received to that question before making a decision about the way forward.

**Elin Jones:** Are you confident at the moment that the sector is commercial enough in the way that it operates in order to be able to compete, in effect, for public sector contracts? If you do not believe that the commercial capacity that exists in the sector is broad enough at the moment, do you think that the Government has a role in developing that aspect of the sector, especially as regards directing the sector to those models of social and co-operative enterprise so that the sector moves more and more in that direction, rather than in the traditional direction of being charitable bodies only?

**The First Minister:** I do not believe that it is possible to say that every voluntary body is going to operate in the same way. Some will be more commercial than others. The aim of any charitable organisation is to raise funds, and some have been very successful in doing that; that is what keeps very many of them going. Other organisations, such as social enterprises, will consider alternative ways of working. We want to ensure that sufficient advice is available from county voluntary

digon o gyngor ar gael iddynt wrth y cyngorau gwirfoddol lleol—y CVCs—er mwyn sicrhau eu bod yn gallu ystyried pa fodel sy'n berthnasol iddynt hwy.

[50] **Elin Jones:** A ydych chi'n credu, wrth i awdurdodau lleol ac, efallai, y byrddau iechyd edrych ar allanoli gwasanaethau—maent yn mynd i orfod gwneud hyn, yn enwedig yr awdurdodau lleol, oherwydd y toriadau mewn cyllid cyhoeddus—fod lle i chi, fel Llywodraeth, weithio gyda nhw i sicrhau mai mentrau cymdeithasol sy'n gwneud y gwaith hwn sydd wedi ei allanoli, yn hytrach na'i fod yn mynd i gwmnïau mawr preifat, a bod *ring-fencing* o'r allanoli hwn ar gyfer mentrau cymdeithasol nad ydynt yn dosbarthu elw yn unig i gyfranddallwyr ond, yn hytrach, yn ôl i mewn i gwmnïau?

[51] **Y Prif Weinidog:** Mae hwn yn fater i gyngorau eu hunain. Fodd bynnag, nid wyf o blaid gweld gwasanaethau'n cael eu hallanoli i gyrff masnachol, sef cyrff mawr. Rwy'n credu y dylai ystyriaeth gael ei rhoi, yn gyntaf, i gyrff cymdeithasol i gymryd drosodd gwasanaethau lle mae'n rhaid gwneud hynny. Yr hyn sy'n bwysig dros ben yw bod termau'r gyflogaeth yn cael eu trosglwyddo i unrhyw gorff newydd sy'n cymryd rhai o'r gwasanaethau hyn er mwyn sicrhau nad yw'r rheini sy'n gweithio yn y gwasanaethau'n colli allan o ran telerau eu cyflogaeth.

[52] **Elin Jones:** Yn olaf, o ran toriadau i gyllid cyhoeddus, a ydych chi, fel Llywodraeth, wedi gwneud unrhyw asesiad o'r impact ar y trydydd sector o ganlyniad i doriadau yn y sector gyhoeddus?

[53] **Y Prif Weinidog:** Rydym yn gwybod bydd impact. Rydym yn gwybod bod llai o arian ar gael. Mae hynny'n amlwg ac yn wir. Fodd bynnag, nid ydym yn gallu rhoi *ring-fence* ar y cyllid o achos y pwysau sydd mewn manau eraill yn y gyllideb.

[54] Rwy'n credu y bydd y newidiadau y mae'r Gweinidog wedi sôn amdanynt yn sicrhau bod y berthynas rhyngom ni, fel Llywodraeth, a'r sector yn gryf yn y dyfodol. Mae'n bwysig dros ben ein bod yn gweithio gyda'n gilydd er mwyn sicrhau bod cyrff yn

councils to ensure that they can consider which model is relevant to them.

**Elin Jones:** Do you believe that, as local authorities and, perhaps, the health boards look at outsourcing services—they will have to do this, and particularly so in the case of local authorities, given the cuts in public funding—there is room for you, as a Government, to work with them to ensure that social enterprises are doing this work that is outsourced, rather than it going to large private companies, and that there is ring-fencing of this outsourcing for social enterprises that are not there to make profit for shareholders only, but rather to reinvest the profit in companies?

**The First Minister:** This is a matter for the councils themselves. However, I am not in favour of seeing services being outsourced to commercial bodies, namely large bodies. I think that consideration should be given, in the first place, to social enterprises to take over services where that is required. What is exceptionally important is that the terms of employment are transferred to any body that takes over these services in order to ensure that those working in those organisations do not miss out on the terms and conditions of employment.

**Elin Jones:** Finally, in terms of cuts to public funding, have you, as a Government made any assessment of the impact on the third sector due to cuts in the public sector?

**The First Minister:** We know that there will be an impact. We know that there is less money available. That is evident and very much the case. However, we cannot ring-fence the funding because of pressures on other parts of the budget.

I believe that the changes that the Minister has talked about will ensure that the relationship between us as a Government and the sector will be strong in the future. It is exceptionally important that we work together to ensure that bodies work together,

gweithio gyda'i gilydd lle mae hynny'n bosibl er mwyn sicrhau bod gwasanaethau'n parhau, er bod llai o arian ar ôl.

where that is possible, so that the services continue, although there is less money available.

[55] Ynghylch beth fydd yr effaith ymarferol, mae'n anodd i ddweud ar hyn o bryd. Wrth ddweud hynny, mae'r Gweinidog wedi mynegi barn ynglŷn â sut y byddai'n bosibl yn y dyfodol i ddarparu yn yr un ffordd er bod llai o arian ar gael.

In terms of what the practical impact will be, it is difficult to say at present. Having said that, the Minister has expressed an opinion on the means in the future of providing these services with less money.

10:15

[56] **Elin Jones:** A oes gan y Llywodraeth bolisi, pan mae agwedd o'r sector wirfoddol yn diflannu oherwydd problemau ariannol ac mae'n mynd i'r wal fel cwmni elusennol, neu pan mae gwasanaeth yn diflannu achos bod llai o wirfoddolwyr yn gwneud y gwaith? Beth yw rôl y Llywodraeth neu'r sector gyhoeddus yng Nghymru, gan gynnwys pob elfen ohoni, o ran camu i mewn er mwyn sicrhau bod gwasanaeth yn para?

**Elin Jones:** Does the Government have a policy, when an aspect of the voluntary sector disappears because of financial problems and it goes to the wall as a charitable company, or when a service disappears because there are fewer volunteers to do the work? What is the role of the Government or the public sector in Wales, to include all elements of that, in terms of stepping in to ensure that a service continues?

[57] **Y Prif Weinidog:** Lle mae gwasanaethau statudol, mae'n amlwg bod rôl i'r sector gyhoeddus. Yr hyn rydym wedi ei ffeindio yn y gorffennol yw, weithiau, fod cyrff eraill yn dod i mewn er mwyn rhedeg gwasanaeth, er rwy'n siŵr bod enghreifftiau wedi bod o broblemau yn sicrhau bod gwasanaeth yn parhau. Fodd bynnag, rydym yn ffodus dros ben yng Nghymru, o gofio'r ffaith bod cymaint o gyrff gwirfoddol gennym—mae 900, fel y dywedais, yr ydym ni'n eu cyllido—ac mae hynny'n tueddu i sicrhau bod digon o gyrff i sicrhau bod gwasanaeth yn parhau lle mae un corff yn ffael. Wedi dweud hynny, wrth gwrs, os oes rhywbeth statudol y mae'n rhaid ei wneud, mae hynny'n ddyletswydd i'r cyngor lleol ac efallai i ni fel Llywodraeth.

**The First Minister:** Where there are statutory services, there is obviously a role for the public sector. What we have discovered in the past is that, occasionally, other organisations come in in order to run a service, although I am certain that there have been examples of problems in ensuring that a service does continue. However, we are exceptionally fortunate in Wales, bearing in mind that we have so many voluntary organisations—there are 900, as I said, that we fund—and that tends to ensure that there is a sufficient number of organisations to carry on with a service where one organisation fails. Having said that, of course, if there is a statutory duty that must be done, that falls to the local council and perhaps to us as a Government.

[58] **David Melding:** First Minister, may I ask, if you take the principle of co-production, which is gaining ground, I think, in the Welsh Government and further afield, where there is this critical partnership between commissioners, providers and users in everything, really—in the development, management and delivery of services—how does that fit with the move to competitive procurement?

[59] **The First Minister:** Again, I would have to emphasise that no decisions have been taken on procurement. It is very much an open question, as the draft third sector scheme makes very clear. As far as co-production is concerned, I gave an answer in terms of co-production in Plenary yesterday, giving examples of what has happened thus far. One area, of course, where co-production is often mentioned is social services and direct payments. We are open to the idea of direct payments being explored, that much is true. However, it is an

important point that you raise, Chair, namely if we are moving forward on co-production, we must be mindful that if we move to a situation where there is a substantial reliance on competitive procurement, that element of co-production will be lost. That is an important consideration as we look through the questions and the answers that we received to those questions mentioned on pages 36 and 37 of the scheme.

[60] **David Melding:** First Minister, I am going to put to you now the second of our questions from organisations, which is from Barod CIC. Does the Welsh Government now just see the role of the third sector organisations as delivery partners or is it more expansive than that?

[61] **The First Minister:** No, because we know that there is a great level of innovation in the third sector as well. Yes, of course, we are all about delivery and making sure that what we seek to do is done, and done properly, but I would not want the impression to be given that we expect third sector organisations simply to deliver. We want them to be innovative and we want them to think carefully about how to improve services in their communities, and they are best placed to do that, rather than us as a Government here in Cardiff. So, it is about delivery, but also innovation, and many of the volunteers who come into third sector organisations are driven by innovation. They want to help people, and they will often formulate ideas that help service delivery to improve.

[62] **David Melding:** I will ask Paul Davies now to take us through the next set of questions.

[63] **Paul Davies:** Diolch, Gadeirydd. Cyn i mi ofyn rhai cwestiynau i chi ynglŷn â threfniadau llywodraethu ac atebolrwydd, roeddwn i'n siarad â chynrychiolwyr o'r trydydd sector y bore yma a gwnaethpwyd y pwynt i mi ei bod yn bwysig nad yw'r Llywodraeth yn gweld y trydydd sector fel rhyw fersiwn o'r sector gyhoeddus neu ryw fersiwn o'r sector breifat, ond bod yn rhaid i'r Llywodraeth ei gweld fel sector benodol sydd yn wahanol i'r sector breifat a'r sector gyhoeddus. Sut ydych chi'n ymateb i hynny?

**Paul Davies:** Thank you, Chair. Before I ask you some questions about governance and accountability arrangements, I was speaking to representatives of the third sector this morning and the point was made to me that it is important that the Government does not see the third sector as a version of the public sector or a version of the private sector, but that the Government has to see it as a specific sector that is different to the private and public sectors. How do you respond to that?

[64] **Y Prif Weinidog:** Nid yw'n rhan o'r Llywodraeth, mae'n rhaid i mi ddweud hynny. Mae'n wahanol. Mae lot o gyrff yn y trydydd sector yn cael eu cyllido gan y Llywodraeth, ond nid yw hynny'n golygu y dylen nhw weithio yn gwmws fel rhan o fecanwaith Llywodraeth Cymru. Wrth gwrs, rydym yn erfyn iddynt wneud rhai pethau, ac, yn ystod yr amser y maent yn cael grantiau, mae'n bwysig dros ben eu bod yn deall beth yn gwmws y byddwn ni am iddynt ei ddarparu. Hefyd, mae ganddynt y rhyddid i sicrhau'r ffordd y byddant yn darparu yn y dyfodol, ac rydym yn mo'yn iddynt roi enghreifftiau i ni, efallai, fel Llywodraeth o'r hyn sy'n gweithio iddynt ac ym mha ffordd y gallwn ni fabwysiadu yr hyn y maent yn ei wneud er mwyn gwella'r ffordd yr ydym ni'n

**The First Minister:** It is not part of the Government, I have to say that. There is a distinction. A lot of third sector organisations are Government funded, but that does not mean to say that they should work exactly like part of the Welsh Government mechanism. Of course, we expect them to do certain things, and, during the time they are in receipt of grants, it is exceptionally important that they understand exactly what we want them to provide for those grants. Also, they have the freedom to decide how they will provide their services in the future, and we would perhaps like them to give us, as a Government, examples of what works for them and in what way we can then adopt what they do in order to improve the way in which we operate.

gweithredu.

[65] **Paul Davies:** Serch hynny, fel Llywodraeth, rydych yn eu trin ac yn delio â nhw mewn ffordd wahanol i'r sector cyhoeddus a'r sector preifat.

**Paul Davies:** However, as a Government, you deal with them in a different way from the public and private sectors.

[66] **Y Prif Weinidog:** Wel, mae hynny'n wir. Nid wyf yn dweud ein bod yn eu trin mewn ffordd sy'n waeth, ond mae'n rhaid eu trin yn wahanol, yn yr un ffordd y byddem yn trin y sector preifat yn wahanol, achos mae ganddynt eu ffyrdd eu hunain o ran darparu. Os ydynt yn cael arian oddi wrth y Llywodraeth, rydym yn erfyn iddynt weithredu yn y ffordd yr ydym am eu gweld yn gweithredu. Rydym yn mo'yn iddynt anelu at dargedau y byddem ni'n eu gweld yn rhai pwysig, ond, wrth gwrs, rydym am sicrhau bod ganddynt y rhyddid i ddeall beth yw'r targedau a'r rhyddid i sicrhau eu bod yn ffeindio eu ffordd eu hunain wrth anelu at y targedau hynny.

**The First Minister:** Well, that is true. I am not saying that we deal with them in a way that is worse, but we have to treat them differently, just as we would treat the private sector differently, because they have their own methods of delivery. If they receive Government funding, we expect them to act as we would wish to see them to act. We also want them to aim for what we would see as very important targets, but, of course, at the same time, we want to ensure that they have freedom so that they understand what the targets are and the freedom to ensure that they find their own methods and approaches to attaining those targets.

[67] **Paul Davies:** Rwyf am ddod yn ôl i'r compactau lleol y credaf i chi sôn amdanynt yn gynharach. Mae'r Gweinidog Cymunedau a Threchu Tlodi wedi dweud ei fod am wella compactau lleol. A allwch chi ddweud wrthym sut y mae hyn yn mynd i ffitio i'r seilwaith rhanbarthol newydd yr ydych am ei gyflwyno?

**Paul Davies:** I want to come back to the local compacts that I think that you mentioned earlier. The Minister for Communities and Tackling Poverty has said that he wants to improve local compacts. Can you tell us how this will fit with the new regional infrastructure that you want to introduce?

[68] **Y Prif Weinidog:** Mae'n rhan o hynny, byddwn i'n dweud. Un o'r rhesymau na wnaethom ystyried deddfwriaeth hyd yn hyn yw bod gwaith ymchwil yn dangos bod arweiniad, canllawiau a monitro yn gweithio'n well yn yr ardaloedd lle nad yw'r compactau yn gweithio ar hyn o bryd—mae'r ymgynghoriad wedi cefnogi hyn. Mae'n wir dweud bod y compactau yn dal i fod yn hollbwysig. Yr hyn y bydd y Gweinidog yn ei wneud nesaf yw ystyried ym mha ffordd y gallwn ni wella'r ffordd y mae'r compactau yn cael eu monitro a hefyd edrych ar y canllawiau i gompactau newydd. Yn rhan o'r broses honno, bydd yn rhaid ystyried sut mae'r compactau lleol yn ffitio yn y dyfodol i'r gweithio rhanbarthol.

**The First Minister:** That is part of it, I would say. One of the reasons we have not considered legislation to date is that the research work has demonstrated that leadership, guidance and monitoring work better in those areas where the compacts currently do not work—this is supported by the consultation. It is true to say that the compacts are still exceptionally important. What the Minister will do next is consider how we can improve the way in which the compacts are monitored and look at guidelines for the new compacts. As part of the process, we have to consider how the local compacts will dovetail in future into the regional working.

[69] **Paul Davies:** Rydych wedi cyfeirio yn barod at AWEMA. A allwch chi ddweud wrthym pa gamau a gymerwyd i gryfhau atebolrwydd a rheoleiddio sefydliadau a

**Paul Davies:** You have mentioned AWEMA already. Could you tell us what steps have been taken to strengthen the accountability and regulation of organisations funded by the

ariennir gan Lywodraeth Cymru ers yr ymchwiliadau i AWEMA?

Welsh Government since the investigations into AWEMA?

[70] **Y Prif Weinidog:** Byddaf yn gofyn i Eleanor Marks ddod i mewn mewn munud, ond hoffwn ailbwysleisio'r ffaith bod adrannau yn awr yn fwy cyfrifol ynglŷn â'r ffordd y maent yn monitro'r arian y maent yn ei roi mas mewn grantiau. Mae pob adran yn awr yn deall bod dyletswydd arni i sicrhau ei bod yn ystyried yn fanwl ganlyniadau'r cyllid y mae'n ei roi i gyrff yn y trydydd sector. Gofynnaf i Eleanor ddod i mewn i drafod y manylion.

**The First Minister:** I shall ask Eleanor Marks to come in in a moment, but I would like to re-emphasise the fact that departments are now more responsible for the way in which they monitor the funding that they award in grants. Every department now understands that it is duty-bound to consider in detail the outcomes of the funding that it awards to organisations in the third sector. I will ask Eleanor to come in on the details.

[71] **Ms Marks:** After AWEMA, we set up a grants centre of excellence to look across Welsh Government at how we monitor grants, particularly where multiple grants go to particular organisations. Alongside that, we have set up a governance unit. Both of those have been very heavily involved in training staff across the piece in how they monitor and look at the value for money that they get for the grants. That has been implemented, and we now have a system whereby we can look within a 24-hour period at exactly how much money is going out to the third sector, either through grants or through contracts. So, we are better placed to be able to do that monitoring of the overall third sector organisations.

[72] Those are, of course, starting points, and we continue to look to strengthen the work that we are doing to make sure that we know what is going out and to whom, and we are making sure that we monitor the outcomes as well as the value-for-money aspects.

[73] **Paul Davies:** Mae adroddiad Swyddfa Archwilio Cymru wedi gwneud llawer o argymhellion ers problemau AWEMA. A allwch chi ddweud wrthym faint o'r argymhellion hynny yr ydych chi fel Llywodraeth wedi eu cyflwyno?

**Paul Davies:** The Wales Audit Office report has made several recommendations since the issues with AWEMA. Could you tell us how many of those recommendations you as a Government have introduced?

[74] **Ms Marks:** We have implemented a lot of those. I cannot give you the exact number. However, some of the things that have been implemented relate to making sure that we have visibility regarding what we are paying out, and making sure that we train people properly to do that. We are also looking at the overall number of grants that we have and reducing the number so that it is more streamlined and straightforward to do that. I am aware that our grants centre of excellence colleagues are working through those implementations and are continuing to implement them.

[75] **Y Prif Weinidog:** Efallai y gallaf ychwanegu ychydig yn fwy ynglŷn â'r gwaith y mae'r ganolfan yn ei wneud. Mae'r ganolfan yn ystyried ar hyn o bryd sut y gallwn sicrhau ein bod yn deall beth yw arfer da a hefyd sut y gallwn argymhell gwelliannau o ran prosesau yn y dyfodol. Mae hefyd yn datblygu canllawiau, *toolkits* a hyfforddiant yn y sector, yn ogystal â sicrhau bod cyngor clir ar gael ynglŷn â sut y dylai grantiau gael eu rheoli a'u llywodraethu. Un o'r pethau rydym wedi'i ddweud wrth adrannau'r

**The First Minister:** Perhaps I could add a little with regard to the work that the centre is doing. The centre is currently considering how we can ensure that we understand what good practice looks like and also the ways in which we can recommend improvements to processes in the future. It is also developing guidelines, toolkits and training in the sector, as well as ensuring that clear advice is available with regard to the way in which grants should be managed and governed. One thing that we have told departments within

Llywodraeth yw y dylent ystyried yn fanwl sut y mae arian yn cael ei wario yn y dyfodol. Hefyd, ac mae hyn yn bwysig, rydym wedi ystyried system newydd er mwyn sicrhau, lle mae problemau yn codi, fod y problemau hynny yn cael eu datrys cyn gynted ag y bo modd—hynny yw, bod rhyw fath o *early warning system*.

[76] **Paul Davies:** Mae Ms Marks wedi cyfeirio at y ffaith bod eich Llywodraeth wedi derbyn lot o argymhellion adroddiad Swyddfa Archwilio Cymru ac wedi gweithredu arnynt. A fyddai'n bosibl i chi, efallai, ar ôl y cyfarfod hwn, gyda chaniatâd y Cadeirydd, wrth gwrs, ysgrifennu atom i ddweud wrthym pa argymhellion rydych wedi eu derbyn a'u gweithredu?

[77] **Y Prif Weinidog:** Wrth gwrs.

[78] **Paul Davies:** Yn 2013, rydych chi, fel Llywodraeth, wedi ymgynghori ar gynllun grant cynnwys a chydraddoldeb newydd ac wedi'i lansio; a allwch chi roi diweddariad i ni ar y cynllun newydd hwn?

[79] **Ms Marks:** Mae grant *equality* wedi cael ei gyhoeddi yn ddiweddar. Mae'r ceisiadau i gyd wedi dod i mewn ac rwy'n credu bod pobl yn edrych arnynt yn awr. Mae mwy o geisiadau wedi dod i mewn nag yr oeddem yn disgwyl ac maent yn gwneud y *due diligence* a phopeth arnynt yn awr. Rydym yn gobeithio y bydd rhywbeth yn cael ei ddweud yn y flwyddyn newydd ynglŷn â phwy sydd wedi cael y grantiau hynny.

[80] **Paul Davies:** Pa wahaniaeth mae'r cynllun newydd wedi ei wneud i'r trydydd sector a'r sefydliadau sy'n derbyn yr arian hwn, a pha wahaniaeth y mae wedi ei wneud i chi fel Llywodraeth wrth fonitro'r arian maent yn ei gael?

[81] **Ms Marks:** It is difficult for me to answer, as equalities is not my specific area. I know that my equalities colleagues are looking at them with a keen eye to see that the outcomes are being delivered, and they have very much implemented the recommendations of the audit report into how they monitor those. However, I would be more than happy to write to the committee, or the First Minister could write to the committee, to give further details on that.

[82] **David Melding:** First Minister, we have another question from a member of the public. It is from Vincent James, who points out the mismatch that happens sometimes. For instance, the Welsh Government encourages us to take more physical exercise and yet, at a

the Government is that they should consider in detail how money is spent in the future. In addition, and this is important, we have considered a new system in order to ensure that, where problems arise, those problems are solved as soon as possible—that is, that there is some sort of early warning system.

**Paul Davies:** Ms Marks has referred to the fact that your Government has accepted and implemented many of the recommendations in the Wales Audit Office report. Would it perhaps be possible for you, following this meeting, with the permission of the Chair, of course, to write to us to tell us which recommendations you have accepted and implemented?

**The First Minister:** Of course.

**Paul Davies:** In 2013, you, as a Government, consulted upon and launched an inclusion and equality grant scheme; can you update us on this new scheme?

**Ms Marks:** An equality grant has been announced publicly recently. The applications have all been received and I believe that they are being considered at present. More applications have been received than we had expected and they are doing the due diligence and everything on them now. We hope that something will be announced in the new year with regard to who will be the recipients of those grants.

**Paul Davies:** What difference has the new scheme made to the third sector and the organisations that receive this funding, and what difference has it made to you as a Government with regard to the monitoring of the funding that they receive?

grass-roots level, amateur sports teams, for instance, are facing decisions by local authorities to increase the charges for the use of football fields. It does come to a real issue, does it not, where the Welsh Government states an overriding strategic policy call and then the local practice discourages, really, the implementation of that goal?

[83] **The First Minister:** A balance has to be struck, of course. If fees are set too high, then clubs will fold and the fields will not be used. It is difficult, of course, and some local authorities have decided that, in order to raise finance, given the difficult financial climate, this is one way that they would seek to do it. However, there is a danger, inevitably, that where fees rise to too high a level, that discourages clubs from using those fields. I think that local authorities must consider those issues very carefully before deciding whether or not to increase fees.

10:30

[84] **David Melding:** Eluned will take us through the final set of questions in this part of the meeting.

[85] **Eluned Parrott:** I want to ask a slightly philosophical question about this area. Obviously, policy objectives and politics change, quite rapidly sometimes, but many third sector organisations will outlive us all. Do you think that that special relationship that we have between Government and the third sector in Wales constrains the third sector's independence at all, its ability to be a critical friend, or its ability to deliver objectives that are not in line with Government priorities?

[86] **The First Minister:** I would hope not. It certainly is not the case that we expect every third sector organisation in Wales to deliver only what the Government wants; that would inevitably constrain their independence in certain areas. I think that, where we provide funding, it is different. It is a reasonable expectation that third sector organisations should be able to understand what we would expect them to do with that money. There have been examples in the past of third sector organisations not being slow in coming forward with criticism of the Government. We are not sensitive. We understand that third sector organisations have to preserve their independence and, from time to time, they have to be critical of what they see as an issue with Government. That is something that we accept.

[87] **Eluned Parrott:** When you are making grant payments to third sector organisations, in those agreements do you set targets for the organisation as a whole in terms of the policy objectives that it is delivering on your behalf, or do you just set targets for the projects that they are grant-funded to deliver?

[88] **The First Minister:** It would depend on the nature of the grant funding, I would suspect. There will be particular projects that are grant-funded, so the objectives will be peculiar to that project. There will be other examples, no doubt, where there will be a more general requirement on a body that receives public funding, not to deliver in a particular way but to deliver outcomes in a way that it sees as most appropriate.

[89] **Eluned Parrott:** This issue of outcomes is obviously very important, and things like European funding, even, are changing how they want to see monitoring done so that it is focusing on the outcomes and the impact as opposed to the outputs that have been delivered with the money provided. How are you preparing for that change in the way that such projects will have to be measured in the future?

[90] **The First Minister:** Again, coming back to the draft third sector scheme, I believe that that is comprehensive in terms of what we expect in terms of outcomes. I think that it is right to say that outputs and outcomes are different things. Outputs can sometimes be

measured in numbers in a way that outcomes cannot, yet outcomes can be more effective in terms of what they deliver for people on the ground. The challenge for us is to make sure that we can measure outcomes effectively. As I say, the third sector scheme goes into detail as to what the journey is for third sector organisations in terms of what they would be expected to do, the funding that is available, the support that is in place and, ultimately, what the outcomes are.

[91] **Eluned Parrott:** As you say, there is tension there between what is often seen as data versus information, in terms of the information that you collect and the way in which you monitor funded projects. When you are choosing grants to fund and not to fund, how do you assess whether or not they are going to deliver value for money in terms of an outcome? How do you monitor them to ensure that, as the project develops, they are actually delivering that?

[92] **The First Minister:** In the proposed code of practice on funding, the commissioning model that is outlined focuses very much on outcomes. The model looks at the need to identify the outcomes required prior to the commencement of the work being undertaken. It also looks at the most appropriate funding mechanism to provide value for money. Therefore, it does deal with that issue in the code of practice itself. However, that is with regard to the commissioning model. In terms of where we are now, perhaps Eleanor could expand.

[93] **Ms Marks:** With each grant that is offered to the third sector, the department—be it health, education or any department—would look at the outcomes that it requires and it would include in the grant offer letter to an organisation what it expects the organisation to deliver, by when and how much, and it would monitor that. When we come to infrastructure support, it is about more generic support for the sector itself, including best practice and helping the sector to represent itself at different meetings. We will have a more generic ask of them, which is in the draft scheme, about supporting the Welsh Government's aim of tackling poverty. That is not as tied down as it would be for specific grants, which would look at the outcomes in specific areas.

[94] **Eluned Parrott:** Pertinent to some of the questions that Paul raised is early warning systems if things are not on track to be where we would wish them to be. What systems have you set in place to make sure that you can identify issues earlier in the process?

[95] **Ms Marks:** There are two levels to that answer. First is that the part of the Welsh Government that offers the grant would be tracking regularly against its grant offer letters, whether that is quarterly or annual, depending on what is being offered. Alongside that, we now have a system that we can all use that looks at the overall spend to each individual organisation, which is available across the Welsh Government, so that we can see whether there is more than one stream going to a particular organisation. That, again, would help us to look at how we monitor the value that we are getting out of it, and how much is being spent. However, we would take a view that things that would give us red warnings are spend not being on profile and outcomes not quite being met. The individual department would then be in contact with the organisation offered the grant.

[96] **Eluned Parrott:** What support do the departments then give to those organisations to help them to get back on track? With a lot of the issues that have been raised recently, it has been about making sure that there is financial propriety, but, actually, what is more important in most cases is that organisations receive the assistance that they need sometimes to just nudge them back in the direction of achieving the outcomes that have been set.

[97] **Ms Marks:** It depends on the particular organisation. The Welsh Government funds infrastructure organisations like the Wales Council for Voluntary Action and the CVCs to provide generic support to organisations. That is often over governance or financial accountability and help and support in sharing best practice on how to deliver particular

schemes. Alongside that, the conversations would be between individual grant offers, or departments offering the grants, and those organisations to establish exactly what the issues were, and then to determine whether support was necessary or not. So, it would be very much on an individual basis.

[98] **Eluned Parrott:** Looking at some of the infrastructure organisations, as you call them, things like providing a network and ensuring that there are communications between organisations are very difficult things to measure in an objective sense. Are you confident that the funding that you are giving to the WCVA and the CVCs, for example, is providing value for money? How are you measuring such esoteric things as communication and networks?

[99] **Ms Marks:** One of the challenges that have been put to us, which is covered in the draft code of practice, is the element of full cost recovery, where organisations have said to us that there is a cost to them to providing those networks and to doing that communication. So, we are in that dialogue with them. We had a meeting with the TSPC on Monday; we put the draft scheme and the draft code of practice in front of it, and there were several areas that it wanted to discuss further with us in the six-week period to look at that. That included looking at better communications between the TSPC and the wider third sector, because one of the responses that we had from the consultation was that some people did not know what the TSPC was, and did not know what support was available—balanced, clearly, by those who are very involved with it. So, that is one aspect that we need to look at. Another one was looking at the vision and shared values that we have between us, and making sure that the document adequately reflects those shared values between Welsh Government and the sector.

[100] **Eluned Parrott:** Does funding follow, then, through the infrastructure organisations to the individual third sector organisations, to allow them to take part in networking activity and things along those lines?

[101] **Ms Marks:** The funding that we put into infrastructure by and large goes into the WCVA and through that into the CVCs. That is part of the challenge of the consultation: to look at how we best use that money, and whether it is best spent more on a regional basis rather than on a national level. As the First Minister mentioned earlier, we are looking at that local delivery as much as the regional and national at this point.

[102] **Eluned Parrott:** Finally from me, I wanted to ask you about some of the innovations in terms of ways in which third sector organisations are funded. One model that the WCVA brought up in evidence to the Finance Committee was the idea of social impact bonds as a mechanism for investment. Have those been explored, and what other models are you considering in terms of moving forward with changes to the sector?

[103] **The First Minister:** I think that one of the difficulties was that, originally, the consultation document included suggestions that 10% of the total infrastructure fund should be utilised as a fund to encourage innovation and collaboration, particularly at regional level. The strong evidence in response to that consultation indicated that that was not something that would encourage innovation in the way that we wanted, so there will not be an innovation fund offered as a result of that. We do know, however, that innovation needs to be encouraged. What will happen now is that we will work with the sector in order to build on the plans that are in place for regional working. Social impact bonds are one possibility that we will look at, but what we will not keep is the status quo. While an innovation fund has not found favour with us, we are certainly keen to work with the sector with regard to other possibilities.

[104] **David Melding:** Before we leave the first part of this meeting, looking at the voluntary sector, appropriately the final question will come from the WCVA. It is a nice underarm, First Minister; or perhaps not. What are the implications of the UK Government's

lobbying Bill for the roles and opinions of an independent third sector in Wales?

[105] **The First Minister:** I have had a substantial amount of correspondence on this with UK Government Ministers. I do have a concern that, while I understand the reasoning behind the Bill, it will end up catching organisations that are not really intended to be caught. I have had assurances from UK Government Ministers that that is not the case. I am not convinced of that at this moment in time. We understand that the drive behind the Bill is to catch commercial lobbying companies, if I can call them that, in terms of the contacts that they have with Ministers. The difficulty is how you define them, particularly in the sense of some of the bigger charities, which are commercial in that sense, and they are lobbyists, by the very nature of their work. Great care has to be taken on the part of the UK Government to ensure that, as it takes that Bill forward, the Bill actually deals with those organisations that it was intended to deal with. Otherwise, we could end up in a situation where some quite informal contacts have to be declared. In my position, my wife works for Macmillan; would I have to declare that every day I get lobbied, as I do, by somebody who works for Macmillan? It is down to that level sometimes, and I think that it is important, in order to avoid that level, which is not what the UK Government is intending, of course, that it is very clear in terms of which organisations are caught up in it. I am not sure that as much clarity has yet been provided as might be, although I do believe that the UK Government understands the problem.

[106] **David Melding:** We will now move to the Welsh Government's relationship with the private sector, and I will ask Paul Davies to take us through the first set of questions.

[107] **Paul Davies:** Rwyf eisiau gofyn rhai cwestiynau i chi ynglŷn â chynllun busnes Gweinidogion Cymru a chyngor adnewyddu'r economi. Roeddwn yn siarad â rhai rhanddeiliaid y bore yma, ac awgrymodd rhai ohonynt efallai na fyddai'n gwneud lot o wahaniaeth os oedd cyngor adnewyddu'r economi yn diflannu. A allwch chi ddweud wrthym ni sut mae'r cyngor wedi bod yn llwyddiannus yn eich barn chi?

**Paul Davies:** I want to put some questions to you about the Welsh Ministers' business scheme and the council for economic renewal. I was speaking to some stakeholders this morning, and some of them suggested that maybe it would not make much difference if the council for economic renewal were to be dissolved. Can you tell us how the council has been successful in your opinion?

10:45

[108] **Y Prif Weinidog:** A gaf i roi enghraifft? Roedd y cyngor yn hollbwysig i ni wrth sicrhau bod cyrff busnes yn ysgrifennu at Lywodraeth y Deyrnas Unedig i bwysleisio pa mor bwysig oedd argymhellion rhan 1 o Silk. Daeth hynny mas o gyfarfod diwethaf y cyngor ei hun. Rwyf yn credu bod sgôp i sicrhau bod y cyngor yn gweithio mewn ffordd sy'n fwy effeithiol—mae hynny'n rhywbeth yr ydym ni yn ei ystyried ar hyn o bryd. Mae'r cyngor ei hun yn fawr ac mae grwpiau gweithredu yn rhan o'r cyngor ei hun. Mae'r cyngor yn rhoi cyfle i gyrff sydd yn cynrychioli busnesau preifat i godi problemau, i ddeall beth y mae'r Llywodraeth yn ei wneud ac i weithio gyda'r Llywodraeth lle bo hynny'n berthnasol, er enghraifft, i sicrhau eu bod yn cefnogi'r

**The First Minister:** May I give you an example? The council was crucial in ensuring that business organisations wrote to the United Kingdom Government to emphasise how important the recommendations of part 1 of Silk were. That came out of the last meeting of the council itself. I think that there is scope to ensure that the council works in a more effective manner—that is something that we are considering at present. The council itself is large and there are action groups that are part of the council itself. The council gives organisations representing private businesses an opportunity to raise problems, to understand what the Government is doing and to collaborate with the Government where that is relevant, for example, in ensuring that they support the

sefyllfa ynglŷn â rhan un o Silk.

situation as regards part one of Silk.

[109] **Paul Davies:** Fe ddywedoch chi fod aelodaeth y cyngor yn fawr. A ydych yn awgrymu felly bod eisiau adolygu'r aelodaeth honno?

**Paul Davies:** You said that the membership of the council is quite large. Are you suggesting then that there needs to be a review of that membership?

[110] **Y Prif Weinidog:** Na, rwyf yn credu mai'r ffordd ymlaen yw sicrhau bod y cyngor yn cadw'r aelodaeth sydd ganddo ar hyn o bryd, ond bod grwpiau gweithredu yn gweithio o dan y cyngor llawn er mwyn sicrhau bod pethau yn symud ymlaen.

**The First Minister:** No, I believe that the way forward is to ensure that the council retains its existing membership, but that action groups work within the full council in order to ensure that things move forward.

[111] **Paul Davies:** Beth yw eich rôl chi fel cadeirydd y cyngor?

**Paul Davies:** What is your role as the chair of the council?

[112] **Y Prif Weinidog:** Y fi sydd yn sicrhau—fel y byddai cadeirydd yn ei wneud—beth sydd ar yr agenda, ar ôl cytuno ar hynny gyda'r aelodau. Rwyf hefyd yn sicrhau bod barn pawb yn cael ei glywed. Un o'r pethau yr ydym ni'n awyddus i'w wneud yw sicrhau bod cyrff yn ymwybodol eu bod yn gallu dod at y cyngor—a rwyf yn credu bod hyn yn wir—i fynegi barn sydd weithiau yn anghyfforddus i Lywodraeth i'w chlywed, er mwyn i ni allu deall lle y mae a beth yn gymwys yw eu problemau nhw.

**The First Minister:** Well—as a chair would do—I set the agenda, having agreed it with the members. I also ensure that the views of all are heard. One of the things that we are eager to do is to ensure that organisations know—and I think that this is true—that they can come to the council and express views that might be uncomfortable for Government to hear on occasion, so that we can understand exactly what their problems are.

[113] **Paul Davies:** A gaf i yn awr droi at gynllun busnes Gweinidogion Cymru? A allwch chi ddweud wrthym ni beth yw effaith y cynllun busnes ers iddo gael ei fabwysiadu yn ôl yn 2008? Beth yw dull Llywodraeth Cymru o asesu'r cynllun busnes hwn?

**Paul Davies:** May I now move to the Welsh Ministers' business scheme? Could you tell us what the impact of that business scheme has been since it was adopted back in 2008? What is the Welsh Government's approach to assessing this business scheme?

[114] **Y Prif Weinidog:** Mae'r cynllun ei hun yn ffordd o weithredu mewn ffordd. Mae'r cynllun ei hun yn dangos ym mha ffordd y mae'r Llywodraeth yn gweithio gyda'r sector preifat. Felly, yr hyn y byddwn i'n ei ddweud yw mai'r ffordd o fesur llwyddiant y cynllun yw mesur pa mor llwyddiannus y mae adrannau Llywodraeth Cymru o ran y ffordd maen nhw'n gweithio gyda'r sector breifat ei hun. Dogfen ymbarél mewn ffordd yw'r cynllun, sef ffordd o sicrhau bod busnesau yn deall beth yw nod y Llywodraeth yn y ffordd yr ydym yn gweithio â nhw, ond, ynglŷn â gweithredu pethau fel grantiau, er enghraifft, neu gronfeydd newydd, mae hynny'n rhywbeth sydd yn rhan o rôl yr adran.

**The First Minister:** The scheme itself is a means of operating, in a way. The scheme itself shows in which way the Government is working with the private sector. So, what I would say is that the way of measuring the success of the scheme is to measure the success of Welsh Government departments as regards how they collaborate with the private sector. The scheme is really an umbrella document, in that it is a means of ensuring that businesses understand the Government's aims in terms of how we collaborate with them, but, in terms of implementing things like grants, for example, or new funds, that is something that is part of the department's role.

[115] **Paul Davies:** Roeddech chi'n sôn yn gynharach am sut y mae rhai o adrannau'r Llywodraeth yn gweithio gyda'r cynllun busnes. Mae'n debyg bod ymwybyddiaeth o'r cynllun busnes yn gyfyng iawn ar draws adrannau Llywodraeth Cymru ac o fewn sefydliadau partneriaid cymdeithasol. Beth y mae'r Llywodraeth yn ei wneud i wella hynny?

**Paul Davies:** You spoke earlier about how some Welsh Government departments work with the business scheme. It seems that awareness of the business scheme is very limited throughout Welsh Government departments and among social partner organisations. What is the Government doing to improve that?

[116] **Y Prif Weinidog:** Mae pob adran, wrth gwrs, yn gorfod bod yn ymwybodol o beth yw'r cynllun ei hun. Mae'r cynllun yn un statudol ac yn ystod yr amser y maen nhw'n delio â'r sector preifat, mae'n rhaid iddynt sicrhau eu bod nhw'n gweithredu pethau o dan athroniaeth ac egwyddorion y cynllun ei hun.

**The First Minister:** Every department, of course, has to be aware of the scheme itself. It is a statutory scheme, and during any involvement with the private sector they have to ensure that they work within the philosophy and principles of the scheme itself.

[117] **Paul Davies:** Mae adolygiad y cynllun busnes eleni yn dangos yr angen am fwy o gysondeb o ran partneriaeth ar draws Llywodraeth Cymru. Pa gamau a ydych chi yn eu cymryd i wella hyn?

**Paul Davies:** The review of the business scheme this year shows the need for more consistency in terms of partnership across Welsh Government. What steps are you taking to improve this?

[118] **Y Prif Weinidog:** Roedd wyth argymhelliad yn yr adolygiad, os cofiaf i'n iawn. Mae pob un o'r argymhellion hynny wedi symud ymlaen, er mwyn sicrhau bod y cynllun yn cael ei weithredu mewn modd mwy effeithiol. Rydym ni wedi bod yn gweithio, er enghraifft, gydag uned partneriaid cymdeithasol Cymru er mwyn sicrhau ein bod ni'n deall ym mha ffordd y gallwn weithio gyda nhw. Efallai gallaf ofyn i James i ddod mewn ynglŷn â manylion y cwestiwn.

**The First Minister:** There were eight recommendations, if I remember rightly, in the review itself. Each one of those recommendations has been progressed, in order to ensure that the scheme is implemented in a more effective manner. We have been working, for example, with the Wales social partners unit in order to understand how we can collaborate with them. Perhaps I could ask James to come in on the details of the question.

[119] **Mr Price:** You are trying to drive at how we make sure, or how we are making sure, that the business scheme is used effectively.

[120] **Paul Davies:** Yes, across Government departments, and ensuring that there is consistency of approach.

[121] **Mr Price:** In part, the remit of my role—as well as the role of the Permanent Secretary and the role of officials in my department—as, if you like, the champion of business within Government, is to ensure that that is done. There are two key things that I would point to in terms of process things that have been done. Each department has a senior representative who has senior ownership of the business scheme, and they are charged by the Permanent Secretary with making sure that they discharge what is in the business scheme. They are responsible for making sure that the businesses scheme is operated within their departments.

[122] The second thing is that all of the business scheme ends up at the council for economic renewal, which is the testing place for making sure that it is working. We do a review of the scheme every two years. The outcome of the review did say that we can do

more, and it is always going to say that because we can always improve, but it also recognised that there had been improvements from the last one that was done two years ago. So, all of that is done.

[123] The other thing that is also done, which is linked to that, is regulatory impact assessments. That is not to say that, at official level, we cannot do more to push that, and I know that this Permanent Secretary is very keen to ensure that everyone takes the views of businesses seriously and that we try to engage as early as possible. However, we are making real progress, and you can see some examples of that in terms of individual policy areas. For example, the review of planning and some of the regulations around housing have seen significant engagement with business, and business has been very positive about that engagement with us.

[124] **The First Minister:** Yes. That is particularly true, for example, with the announcement that was made by Carl Sargeant as the Minister with regard to part L of the building regulations and, of course, the timetable for the introduction of the sprinklers legislation.

[125] **Paul Davies:** Brif Weinidog, bu ichi sôn yn gynharach bod wyth argymhelliad o ganlyniad i'r adolygiad o'r cynllun busnes. A allwch gadarnhau, felly, bod yr wyth argymhelliad hynny wedi eu gweithredu?

**Paul Davies:** First Minister, you mentioned earlier that there were eight recommendations as a result of the review of the business scheme. Can you confirm, therefore, that those eight recommendations have been implemented?

[126] **Y Prif Weinidog:** Gallaf wneud hynny. Mae gweithredu yn cymryd lle ynglŷn â phob un o'r argymhellion.

**The First Minister:** I can do that. Action is being taken on each of those recommendations.

[127] **Paul Davies:** Yn eich tystiolaeth ysgrifenedig, rydych yn sôn bod eich Llywodraeth yn ariannu uned partneriaid cymdeithasol er mwyn sicrhau ymrwymiad effeithiol gyda phartneriaid cymdeithasol. Sut rydych yn mesur effeithiolrwydd yr uned hon?

**Paul Davies:** In your written evidence, you state that your Government funds the social partners unit in order to ensure effective engagement with social partners. How do you measure the effectiveness of that unit?

[128] **Y Prif Weinidog:** James?

**The First Minister:** James?

[129] **Mr Price:** The Wales social partners unit, if I remember correctly, was a contracted-out procured service and, within that contract, different aspects have to be delivered. The key for us is that we get proper engagement with the represented business groups through the Wales social partners unit. So, it is not just a one-way thing with people trying to lobby Government; the Government is actively using the Wales social partners unit to help to develop policy and to help us to understand things like what an effective transport network might look like, the business rates scheme that we have applied—the whole gamut, really. So, it is to ensure that they deliver against the contract specifications. We could send a note to the committee on that, because I do not have all the information in my head. However, we also ensure that we can engage fully with business.

[130] **The First Minister:** There are two things to emphasise. The WSPU has been involved in the revision of the business scheme and has been involved in publicising the building scheme, as per recommendations 1 and 2.

[131] **David Melding:** Eluned Parrott will take us through the next set of questions.

[132] **Eluned Parrott:** I want to ask about the use of private-sector-led advisory boards and so on. You talk in your paper about the establishment of a number of task and finish groups to advise the Government. There are task and finish groups, there are advisory boards and there are sector-led panels. How many of these private-sector-led groups are there that are currently advising, for example, on the economy, science and transport?

[133] **The First Minister:** There are nine sector panels. We have the seven enterprise zone boards, the Powys and Teifi valley local growth zones task and finish groups, city regions and the south-east Wales and Swansea bay city regions task and finish groups. Of course, we have also had task and finish groups dealing with business rates, microbusiness, Business Wales, Newport, business crime, life sciences, regional transport services and freight. That may seem a lot, but it is important to ensure that there is proper engagement with business, particularly specialist engagement, as part of the work that these groups have taken forward. It is exceptionally important for any Government, I believe, to work with those in a particular sector in order to lead to an outcome that is of benefit to them. I believe that the task and finish groups lead to outcomes. The Minister is particularly keen to ensure that, where there are reports, those reports are taken forward.

[134] **Eluned Parrott:** Yes, that does seem like a lot of groups, particularly as I think that you have missed a few; for example, the science advisory group that advises the chief scientific adviser, which has a working group looking at engagement. I wonder, in relation to a department like economy, science and transport, which deals with so many different partnerships, how those partnerships are managed and communicated, then, to the scrutiny processes of the Assembly.

[135] **The First Minister:** The Minister is usually very diligent in terms of informing Assembly Members, either via letters or statements, of when task and finish groups are established. To my knowledge, she has always provided a statement once one of the groups has completed its work, to outline what the Government's view is of the group's report and what the way forward is.

[136] **Eluned Parrott:** Do you think that it might be possible to have a note of the timetable by which some of these task and finish groups are expected to report back? With so many partnerships being developed, it is, obviously, important to understand what the process for that work is.

[137] **The First Minister:** If the committee wishes to identify which particular groups it wants that information on, the information can be provided.

[138] **Eluned Parrott:** That is really helpful; thank you, First Minister.

[139] Obviously, task and finish groups have a particular remit with a time frame. However, do the advisory boards, for example, and the sector-led panels of various different descriptions have a similar kind of reporting strategy? Do they report on an annual basis, for example, to the Minister for the particular area in which they work?

[140] **The First Minister:** No; with regard to the sector panels, they are able to provide advice to Ministers when they see appropriate, or when the Minister asks for that advice. The intention of the sector panels is to use their experience of the private sector in their particular areas of expertise to assist us to identify the best opportunities for business growth. That is an ongoing process, rather than a process where there is an annual report every year and nothing else.

[141] **Eluned Parrott:** However, with regard to boards that you have established specifically to drive forward a particular policy agenda—for example, with enterprise zones

and now with the city region boards that have been established—clearly, regular monitoring of the progress would require some form of reporting system, would you not agree?

[142] **The First Minister:** Yes; I will ask James to come in on the details of the way that it operates on the ground.

[143] **Mr Price:** I think that the first thing to say is that, while it does sound like a large number of groups, sitting as an official within the department, I can say that it works quite effectively. As the First Minister said, the whole purpose of these groups is to engage more effectively and take advice from the people who are best placed to advise us, particularly in technical areas or highly specific business areas. There is not a sort of hard-and-fast rule for how we are operating any of the groups. However, universally, the groups will have been given a task. They will have a set of something that looks like terms of reference, and they will be given time windows to provide advice on certain aspects of things, which we expect to come back.

11:00

[144] The groups are doing very different things. If you looked at the business rate review, you will see that it was clearly with an end date in mind by which time we wanted a report back. If you look at the sector panels, you will see that that process, as the First Minister said, is ongoing. However, nearly all of the panels have advised us that they wish to move from being more of a big-picture strategic group to helping us ensure that the detail of the strategy is delivered. They feel that they have done the strategy for the next 10 years, and they are saying, ‘How can we help you to make sure that that’s delivered?’

[145] **Eluned Parrott:** I understand. As you say, there are a few groups of different kinds of relationships, if you like, that are tasked to do different things. Task and finish groups clearly have an end point to their report. That is then debated in the Chamber, and it is relatively transparent. In terms of the advisory panels, there is a responsive mechanism. However, there will be some concern that there is not a consistent approach, even within one department, on something like the boards that are driving forward really major policy initiatives such as enterprise zones and city regions. Certainly, it has been raised with me that, for those long-term strategic priorities that are significant parts of the Welsh Government’s strategic planning for the economy, an annual reporting mechanism would allow a greater degree of scrutiny. There is not an end point or an end report for them. Do you think that that might be feasible within the systems, as you have them set up at the moment?

[146] **Mr Price:** First, it is important to realise that these groups are not setting policy. These groups are advising the Minister on policy, and it is the Minister who signs off the final policy and then goes through the scrutiny process. She is quite keen that people understand that. I know, sometimes to my cost, about the number of updates that we provide to Assembly Members on things. So, we are not attempting to avoid scrutiny, but there is a balance to be struck in appointing private sector people who frequently are not getting paid for this work and then expecting them to go through a scrutiny process. What they are doing is providing advice for us to consider, to then set policy and to then go through the scrutiny process. Having said that, the Minister has made commitments—I think that she did so in the last committee that we went to—to provide regular updates and to provide access to some more detailed work, such as the metro work that was done, which is another group.

[147] I would like to say a couple of words on the city region thing, just to give an example of how different these things are. A city region is a policy concept. I do not think that it is for the Welsh Government to specify what the end point of that should be. In fact, the whole point is that we do not know what the end point should be and how effective collaboration can be between different local authorities and business. So, we have to allow some of these things

to run a bit wide before pinning down exactly what we expect, and by what date.

[148] **Eluned Parrott:** I understand the desirability of that flexibility, in terms of approach. However, I asked the Minister yesterday what scrutiny processes are in place for a policy concept that was instigated by the Welsh Government. It is something that the Welsh Government will be judged against. So, in terms of the relationships that you build with the private sector more generally, as you say, if we are asking private sector organisations to make a contribution to a policy area, there has to be a balance in terms of what we are expecting them to do and how we are expecting them to be scrutinised. Should we go to the Welsh Government and scrutinise the Ministers in charge of that portfolio? As I say, the Minister said specifically that it is not for the Welsh Government to drive this particular policy agenda.

[149] **The First Minister:** The Welsh Government is always responsible for it. I do not think that scrutinising advisory boards is the right way forward. Ultimately, of course, the advisory boards have no executive powers. Those powers rest with Ministers, and Ministers will always be accountable for the policies that they put in place, whether those policies are there on the advice of the advisory boards or not.

[150] **Eluned Parrott:** So, will the Minister give us an annual reporting mechanism in those instances?

[151] **The First Minister:** The Minister is more than able to give a monthly report via her questions, and through answers that she gives to committees. So, that can be done on a far more regular basis than an annual report.

[152] **Eluned Parrott:** The Department for Economy, Science and Transport was identified in the review as a department with good example of engagement with the private sector. How do you think that that example is being stretched across the other departments, because there were comments in the review relating to the fact that some of them were perceived to have a less open approach?

[153] **The First Minister:** Let us look at the Department for Education and Skills. We have the Wales employment and skills board, which, obviously, provides the employer perspective to Welsh Government Ministers in terms of employment and skills matters. I think that it is pretty fair to say that the employer's voice is at the heart of the WESB. That department also works very closely with employer groups such as the Confederation of British Industry, the Federation of Small Businesses, industry training boards and the sector skills councils. That is one example in one department. However, the same is true of other departments. The Department of Health and Social Services works with health and wellbeing best practice and innovation board, the NHS social care and business work stream, the National Institute for Social Care and Health Research academic health science collaboration industry group and the life sciences Wales knowledge exchange project. That is the formal engagement. There is also ad hoc engagement with industry in terms of money to get their views to inform policy development, but also in terms of specific projects such as genomics and telehealth. I could go through all the departments, but those are the two biggest departments, I suppose, outside the economy, science and transport department. They are fully aware, as are other departments, of the need to work openly with the private sector.

[154] **Eluned Parrott:** Just finally from me, what steps have you taken—presumably you are aware of the departments that are most open to private sector involvements. You must, therefore, also be aware of the ones that are, perhaps, a little slower to respond to this opportunity. What steps have you taken to encourage those departments to look to private sector involvement?

[155] **The First Minister:** I am not convinced that any of the departments have been slow. I expect all departments to respond promptly or to work closely with the private sector. I suppose the Department for Economy, Science and Transport is the most obvious example, because of the nature of its work, but all Government departments should be responsive.

[156] **David Melding:** First Minister, I have been struck in my own conversations with private sector organisations that the council for economic renewal is seen as useful, but it has its limitations as any large consultative body does. The various sector panels and task and finish groups draw organisations into a fairly bureaucratic procedure, which is quite time-consuming and even exhaustive for them. It has its uses, definitely, but what they most value, I think, is direct access to Ministers. I would say, from what I have heard, broadly, that your Government scores pretty well. However, do you think it is at that level of key investment of ministerial access to the various representative bodies in particular, but also the private sector in general, as I said, with an idea of direct interest—that it has being able to have reasonable access to Ministers? That is a key test and that needs to be across the board as well, because it is not always the Minister for Economy, Science and Transport, though often it is.

[157] **The First Minister:** I value that very much. On Monday night I was at a dinner with the CBI with 23 organisations. It was one of those events where you go to eat a dinner, but, in fact, you spend 90% of your time talking and trying to juggle the two. However, they are very useful events. I was asked at the very end of that event, ‘What do you want to hear from us?’ and ‘What do you value most out of these events?’ I said, ‘Just tell us what we need to hear, not what we want to hear’. At the end of the day, there has to be a level of honesty and nobody need be afraid of that. We are fortunate in Wales, because of our size, that it is possible to have a direct relationship between Ministers and, particularly, some of the larger businesses. I would hope that we are more accessible, again because of our size. It is useful for us to hear that that is the feeling out there in the business world. Some businesses will not feel that way. They will still wonder how you liaise with Government. That much is true, but, yes, we have the formal engagement via the sector panels and the CER, but that informal engagement in a small nation is very useful.

[158] **Elin Jones:** On that issue, the one sector that I have heard pass comment on the inaccessibility of Welsh Ministers to discuss the potential of its sector to do work in Wales is the pharmaceutical sector—that is with Welsh Ministers for health. The sector has compared that with a more open-door policy in Scotland and other places. For a Minister who does not deal with business directly—although the development of clinical trials and research and development work in Wales is something that I expect the Welsh Government to want the NHS in Wales to be involved in—do you have any particular concerns about the lack of links with that sector in developing innovation within the Welsh NHS?

[159] **The First Minister:** It is curious to hear that because I have in front of me a list of site visits and meetings that have been undertaken by that department. The names include GE Healthcare, Biomet, Penn Pharmaceutical Services, GlaxoSmithKline, Pfizer and Johnson and Johnson, among others. Meetings have been held with them. I cannot tell you whether they were meetings with a Minister but that is because a meeting with a Minister is not the first port of call. As you will know, the first port of call is always with officials. There are certainly a number of companies that have had site visits and meetings over the last six months, which are pharmaceutical companies, and I have listed some of them there.

[160] **Elin Jones:** For the record, am I correct in assuming that the Welsh Government is keen to work with large multinational pharmaceutical companies on the development of clinical trials in collaboration with the NHS in Wales?

[161] **The First Minister:** Yes, we would be. Drawing it more broadly, the life sciences sector is an important sector for us with about 15,000 people involved. We have the Institute

of Life Science in Swansea University. Working with companies that are able to bring expertise, research and development and employment into Wales is something that we would very much want to do.

[162] **David Melding:** The next set is with you, Elin.

[163] **Elin Jones:** Rwyf am fynd ymlaen i drafod y cwestiynau yr oeddwn wedi bwriadu eu gofyn ichi, Brif Weinidog. Yn eich atebion imi ynghynt ar y trydydd sector, nodoch pan fydd gwasanaethau cyhoeddus yn cael eu hallanoli o awdurdodau lleol neu o fannau eraill, eich bod yn awyddus iawn i weld y trydydd sector a'r sector mentrau cydweithredol yn cael blaenoriaeth o ran rhedeg y gwasanaethau hynny. Gallai hynny fod ar draul y sector preifat. O ran allanoli gwasanaethau cyhoeddus a darparu gwasanaethau cyhoeddus yn uniongyrchol, a ydych yn credu bod lle cynyddol i'r sector preifat fod yn gwneud hyn yng Nghymru? Os felly, a oes meysydd penodol o fewn y sector gyhoeddus yr ydych yn credu sy'n flaenoriaeth o ran darparu gwasanaethau cyhoeddus yn hytrach na'r wladwriaeth neu awdurdodau lleol?

**Elin Jones:** I will go on to ask the questions that I intended to ask you, First Minister. In your responses to me earlier on the third sector, you noted that when public services are outsourced from local authorities or elsewhere, you were keen to see the third sector and the social enterprise sector being prioritised in terms of running those services. That could be to the detriment of the private sector. In terms of outsourcing public services and delivering public services directly, do you think that there is an increasing case for the private sector to be doing this in Wales? If so, are there specific areas within the public sector that you think are a priority in terms of delivering public services, rather than the state or local authorities?

[164] **Y Prif Weinidog:** Na, nid ydym yn edrych ar breifateiddio, i ddefnyddio'r gair hwnnw, o ran darparu gwasanaethau cyhoeddus yn y dyfodol. Fodd bynnag, mae'n bwysig dros ben ein bod yn gweithio gyda'r sector preifat. Rydym i gyd yn gwybod, er enghraifft, er mwyn inni ddarparu hewlydd yng Nghymru, mae'n rhaid inni weithio gyda'r sector preifat—nhw yw'r contractwyr. Nhw sydd hefyd yn adeiladu tai, er enghraifft. Felly, maen nhw'n rhan bwysig o sicrhau ein bod yn gweithredu i bobl Cymru. Rydym yn ystyried ar hyn o bryd hefyd a ddylem gael model gwahanol o ran masnachfaint Cymru a'r gororau ar gyfer y rheilffordd ac a fyddai'n bosibl, er enghraifft, i gael model heb elw. O ran y cynllun buddsoddi yn seilwaith Cymru, rydym yn gweithio gyda'r sector preifat yn barod—er enghraifft, gyda chwmni datblygu Pont Elai yma yng Nghaerdydd. Mae hefyd y grant cyllid tai sydd wedi bod ar gael i sicrhau bod tai yn cael eu hadeiladu, a rhai ohonynt gan y sector preifat. Nid oes athroniaeth y tu ôl i hyn o ran a ddylem edrych ym mha ffordd y gallwn sicrhau bod y pethau sy'n cael eu gwneud yn y sector cyhoeddus yn awr yn cael eu gwneud gan y sector preifat. Na, nid

**The First Minister:** No, we are not looking at privatisation, to use that word, as regards the delivery of future public services. However, it is exceptionally important that we work with the private sector. We all know, for example, that in order to build roads in Wales, we have to work with the private sector—they are the contractors. They also build houses, for example. So, they are an important part of the process of ensuring that we are taking action for the people of Wales. We are also considering whether we should have an alternative model for the Wales and borders franchise on the railways and whether it would be possible, for example, to secure a not-for-profit model. With regard to the Wales infrastructure investment plan, we are already working with the private sector—for example, with the Ely Bridge development company in Cardiff. There is also the housing finance grant that has been available to ensure that houses are built, and some of them are built by the private sector. There is no philosophy behind this as regards whether we should see how we can ensure that the things that are done by the public sector at present will be done by the private sector. No, that is not part of the

yw hynny'n rhan o'r feddylfryd ond, wrth gwrs, mae lot fawr o bethau sydd wedi cael eu darparu gan y sector preifat yn hanesyddol, er enghraifft, y rhwydwaith drafnidiaeth, a bydd hynny yn dal i fod yn iawn.

11:15

[165] **Elin Jones:** Yn y sesiwn flaenorol, fe drafodom ni dipyn ar yr effaith yr oedd rhanbartholi yn ei gael ar wasanaethau yn y trydydd sector. Mae'r un peth yn wir am yr effaith posibl ar y sector preifat, ac os ydym yn edrych ar y tueddiad sydd yna i greu cytundebau caffael ar lefel rhanbarthol neu ar lefel genedlaethol, yn hytrach nag ar lefel leol, gwelwn fod hynny'n gallu arwain at y posibilrwydd o gau allan rhai o'r cwmnïau llai mewn gwahanol ardaloedd yng Nghymru, gan fod y cytundebau yn sydyn yn rhy fawr iddynt ddarparu gwasanaethau. Gallai'r rheini fod ynglŷn â chynnal a thrwsio ffyrdd neu ynglŷn â gwaith PR ar gyfer y sector cyhoeddus. Felly, sut ydych chi'n credu y gallwch chi roi *safeguards* mewn lle i sicrhau nad yw'r tueddiad cynyddol hwn i greu cytundebau mawr yn cau allan rhai o'r cwmnïau llai? Mae gennym dipyn o'r rheini mewn gwahanol ardaloedd yng Nghymru.

[166] **Y Prif Weinidog:** Bydd rhai cytundebau sydd yn rhy fawr i gwmnïau bach ar eu pennau eu hunain, ond yr hyn rydym ni wedi bod yn ei hybu yw cael cwmnïau bach i weithio gyda'i gilydd a chydweithredu er mwyn gallu gwneud cais am y cytundebau mawr. Digwyddodd hyn yn y byd amaeth, lle nad oedd neb, ar un adeg, yn gallu gwneud cais am y cytundebau mawr. Rwy'n cofio un enghraifft lle nad oedd yn bosibl ar un adeg i gael cytundeb ynglŷn â chig eidion yn mynd i mewn i'r gwasanaeth iechyd achos y ffaith nad oedd cwmni yng Nghymru ar y pryd a oedd yn gallu sicrhau bod cig yn dod mewn ddydd ar ôl dydd a mis ar ôl mis drwy'r flwyddyn. Ond, wrth weithio gyda chwmnïau er mwyn sicrhau eu bod yn gweithio gyda'i gilydd, roeddent yn gallu gwneud cais am y cytundebau mawr. Yn fy marn i, dyna beth mae'n rhaid i ni sicrhau. Lle mae'n bosibl, wrth gwrs, i gael cytundeb lleol, dylai hynny gael ei ystyried. Ond, ynglŷn â'r cytundebau mawr, er enghraifft, tai a thrafnidiaeth, mae'n bwysig dros ben fod cwmnïau yn gweithio

mindset but, of course, many things have been delivered by the private sector historically, for example, the transport network, and that will continue to be the case.

**Elin Jones:** In the previous session, we discussed the effect that regionalisation has on services in the third sector. The same thing is true about the possible effect on the private sector, and if we look at the trend to create procurement contracts on a regional level or on a national level, rather than at a local level, we see that that can lead to the possibility of excluding some of the smaller companies in some areas of Wales, as the contracts are suddenly much too big for them to be able to deliver services. Those could be around road maintenance or around PR work for the public sector. So, how do you think that you can put safeguards in place to ensure that this increasing trend of creating large contracts does not exclude some of these smaller companies? We have quite a few of those in various areas of Wales.

**The First Minister:** Some contracts will be too large for small companies as sole traders, but what we have been promoting is getting small companies to work together and collaborate to be able to bid for the large contracts. This happened in the world of agriculture, where nobody, at one point, was able to bid for the large contracts. I remember one example where it was not possible at one point to get a contract for providing beef to the health service because of the fact that there was no company in Wales at the time that could guarantee the supply of beef day in, day out, month after month, all year long. However, by collaborating with other companies to ensure that they could work together, they were able to bid for the large contracts. In my opinion, that is what we have to ensure. Where it is possible, of course, to get a contract that is local, that should be considered. However, as regards the large contracts, for example, for housing and transport, it is very important that companies collaborate in order to submit a

gyda'i gilydd er mwyn doddi mewn cais joint bid.  
gyda'i gilydd.

[167] Ynglŷn â'r hyn sydd wedi digwydd i weithredu hyn, mae strategaeth ar adeiladu, er enghraifft, sy'n cael ei datblygu ar hyn o bryd. Hefyd, rydym wedi bod yn gweithio gyda'r WSPU er mwyn sicrhau bod mwy o gwmnïau bach yn gweithio gyda'i gilydd er mwyn sicrhau eu bod yn cael y gwaith yn lleol.

As regards what action has been taken to progress this, there is a construction strategy, for example, which is being developed at present. We have also been working with the WSPU in order to ensure that more small companies are working together in order to get local work.

[168] Mae canllawiau wedi cael eu doddi mewn lle fel bod adnodd ar gael i fusnesau bach—rydym wedi gwneud hyn gyda'r WCVA—i sicrhau eu bod yn gallu cydweithredu er mwyn sicrhau bod mwy o gyfle ganddynt i ennill y cytundebau mawr. Felly, mae canllawiau wedi cael eu cyhoeddi ar ôl gweithio gyda'r WCVA.

Guidelines have been put in place so that a resource is available for small businesses—we have done this jointly with the WCVA—to ensure that they can work jointly in order to ensure that they have more opportunities to win larger contracts. So, guidelines have been published following work with the WCVA.

[169] **David Melding:** Appositely, the final question that we have had from members of the public and organisations relates to the interaction between Welsh Government, the voluntary sector and the private sector. Mark Cummings wants to know what the First Minister's views are on the model of social housing landlords appointing private sector contractors to deliver asset management services in Wales. It is an interesting circle there, I suppose.

[170] **The First Minister:** Of course, the registered social landlords are not part of Government in that sense, and they will have to take their own decisions as to whom they employ in order to deal with their assets. But, they will need to ensure that they provide value for money and, of course, they will also need to ensure that the decisions that they take are in the interests of their tenants.

[171] **David Melding:** Another point that came up when we talked to the various private sector organisations was that there is a feeling that perhaps it is now time for a mature debate on the role of the private sector, because, over the years—it is not necessarily a reflection on this administration—in terms of the various Governments that we have had under devolution, there have been mixed messages about what engagement is proper in the public sphere with the private sector. I suppose that, again, it is a bit like what I put to you on the voluntary sector, namely that some sort of expansionary statement of purpose is needed. Do you feel that perhaps you need to go a bit further in terms of showing how much the Welsh Government values the private sector?

[172] **The First Minister:** I would hope that through the business scheme, particularly the revised scheme, the council for economic renewal and the sector panels, that the message is there that we very much value what the private sector does. We know that without the money that is generated by the private sector, we would not have the money to run public services. I have never seen the debate as being public versus private; I think that the two complement each other in the same way as private businesses benefit from the fact that they do not have to pay health insurance premiums for their workers, unlike in the States, and they have the benefits of an education system to provide them with at least the raw material for their enterprises.

[173] There are several issues that we have had to address historically in Wales. One of which has been a reluctance of those with entrepreneurial flair to move into business, possibly

because of what was, historically, a cultural bias against it. That has changed. If we look at the level of entrepreneurship in Wales now, particularly among young entrepreneurs, the surveys show us that more than half of young people would consider setting up a business. I do not think that that would have been the case even 10 years ago. That is to be encouraged. I have never believed that we have lacked entrepreneurs, but it is clear that, over many years, that entrepreneurial flair was not given its head.

[174] The other issue that needs to be addressed in the longer term in the Welsh economy is how we get our ambitious SMEs to grow. In terms of its indigenous businesses, the Welsh economy is very heavily biased towards SMEs. We have very few Welsh headquartered companies that are listed on the London Stock Exchange. There are very few Welsh businesses that have the capacity, for example—to use the test that I sometimes use—to sponsor the Welsh rugby team. There is a handful of them. That is a weakness in our economy that we need to address. One of the issues that we looked at some years ago was whether there was scope for reopening the Cardiff stock exchange. We could not do it as a Government; it would have to come from the business sector. That was not practical. It was not a question of whether there would be enough companies that would want to list—there were; it was a question of where the investment would come from in what is very much a virtual age. We now have traders on the LSE who are based here in Cardiff. It is a virtual floor now, compared to what it was 20 years ago.

[175] Some SMEs want to remain as they are, but we need to encourage those more ambitious SMEs that want to grow to overcome what is a cultural hurdle. A lot of them see it as a big leap to actually become a limited company and to become listed on the LSE, but we need more of them in order to provide a better balance in terms of indigenous businesses. Those are two challenges that have been there for many years and remain to be addressed.

[176] **David Melding:** Thank you, First Minister. Sandy Mewies will take us through the final questions.

[177] **Sandy Mewies:** First Minister, the impact of Welsh Government policy and legislation on business is looked at through impact assessment. However, according to the review of the business scheme, social partner organisations generally believed that the impact assessments prepared by the Welsh Government, to assess the effect of new policy and legislation on business, were either poor or non-existent. That review also suggests that a particular concern for social partners is that the Welsh Government does not always assess or recognise the cumulative effect of policy changes and legislation, in the way that one impact assessment might cancel out, or have an effect, on another. They have to be looked at strategically. How do you feel about the view that impact assessments are either poor or non-existent? If it has been recognised that there needs to be improvement, how will that be done? What do you feel about the view that the cumulative effect of policy changes is not always taken into account; it is not always looked at in the round?

[178] **The First Minister:** In terms of cumulative changes, one example that was often given in the past was that of the construction industry and what it felt was happening with building regulations and with the sprinkler legislation. The sprinkler legislation was the will of the Assembly; it is not for Government to discard the will of the Assembly and I have made that very clear to those companies. Nevertheless, bearing in mind the cumulative effect of part L of the building regulations and their revisions, we have put in place more time in order for the construction industry to comply. That is an example of where we have looked at the cumulative impact.

[179] In terms of the regulatory impact assessments, the appraisals are done according to rules set out in the HM Treasury Green Book. So, they are not done purely on a Welsh basis. They are common throughout the whole of the UK. The economic appraisal is part of the

policy process; it looks to quantify the social, environmental and economic costs and benefits of policies. That analysis then supports the completion of a regulatory impact assessment. As part of that analysis, the chief economist is also involved. So, we are not doing something different in this regard in Wales; we are following what the Treasury Green Book actually states in terms of what we should be doing in respect of the analysis and then the development of the RIA itself.

[180] **Sandy Mewies:** So, you do not think that they need strengthening, then—it is working to a formula in many ways, is it?

[181] **The First Minister:** It is not clear whether the RIA system needs strengthening or whether it is a case of those affected by new legislation suddenly realising how it will affect them further down the line, and then saying, ‘Hang on a second; we weren’t aware of this, we weren’t aware of the impact’. That may happen from time to time, but that is not a fault with the RIA process. It may just be that some organisations are not aware of what is being proposed until, quite often, a Bill is passed. We try to overcome that as best as we can. I think that that is improving. People, in my view, are more informed about what is happening here now than they were 14 years ago. However, that is not a criticism necessarily of the assessment process, but more a realisation, perhaps, further on down the line, of what it might mean for certain organisations once they realise what is proposed.

[182] **David Melding:** You are not constrained by the Treasury model. I am sure that you are quoting it to demonstrate that it is rigorous, but you could add to that or consult with the sector, perhaps, as to how the whole impact assessment procedure is fine-tuned, could you not?

[183] **The First Minister:** We would need evidence for that. I think that the starting point is always the Green Book. Inevitably, if you move away from what is UK-wide guidance, you have to justify it. If there is evidence to justify a slightly different approach in Wales, clearly we will consider that.

[184] **David Melding:** You said something interesting on the sprinkler issue, that sometimes it is the will of the Assembly—although that one did come from a backbencher, as I recall. It may be more classic Welsh Government or Government policy that is the cause of the impact, but, even if an impact is demonstrated to be fairly considerable, that is information-giving almost, by the sound of your attitude to it. It does not compel you to think in terms of how the sector that is affected particularly needs support in other areas, perhaps, other than the timing of it. Do you think that you ought at least be thinking about how to ameliorate these impacts, or is it just saying, ‘There is an impact and that is the magnitude’?

[185] **The First Minister:** No, it has to be more than that. Simply identifying something is not enough. The RIA process takes place when a Bill is put forward. So, it is at the beginning of the process, not at the end of the process, obviously. We have to take account of what an RIA might say, and, during the course of the passage of a Bill, that Bill may well change as a result of what the assessment actually says. Otherwise, there would be no point in having the assessment. It is not enough for an assessment simply to say, ‘These are the effects’, if, then, during the passage of a Bill, the Government says, ‘Well, we will see what the effects are, but, really, either the effects are minimal’, which might be true, or ‘the effects are substantial but nothing can be done about them’. That is certainly not the way that we would look to progress a Bill if an assessment were to identify a substantial cost imposition on other sectors.

[186] **David Melding:** The sprinklers one did identify significant costs, did it not?

[187] **The First Minister:** Yes, there is a cost. There is no doubt about that. The problem is that that cost has varied wildly, although not in terms of the RIA. If I remember rightly, the

initial suggestion was £3,000. I have heard the Secretary of State say £13,000, and I have heard others give different figures. I think that the RIA was robust. I have not seen any evidence to back up some of the other figures that have been produced. On that occasion, yes, it was recognised that there would be an impact; it was believed and, indeed, accepted by the Assembly as a whole that that impact could be absorbed by the industry.

[188] **David Melding:** It is reasonable to say that there is an impact, but the social benefit is such that we want to proceed with the policy. I just wonder, taking this particular case as an example, whether one consequence of an impact that is seen to have considerable magnitude might be to review the situation after a reasonable period to see what the scale of it was, and that that might be one of the consequences where you think part of the private sector is likely to take quite a hit potentially as a consequence of public policy.

11:30

[189] **The First Minister:** We would always seek to review new legislation in two ways: in terms of its impact, which has to be done, and also in terms of how that legislation might be improved in the future, which brings us on to the inability at the moment of Welsh Ministers to issue direct instructions to the Law Commission. That is a serious issue—not so much at the moment, but, certainly, in the next three or four years and beyond, where we will need to look at consolidating legislation. We will need the input of the Law Commission to do that. That has perhaps less to do with cost and more to do with the need to consolidate or amend legislation in the future.

[190] **David Melding:** Are there any final points that Members want to put? We have had quite a comprehensive session, covering two very important partnership areas. We are very grateful to you once again, First Minister, for the way that you have prepared and for the input of your colleagues also. You have kindly agreed to provide us with more information in certain areas. We will probably capture those requests in our report, which will be by way of letter, probably, to you in terms of the outcomes of today's meeting and any recommendations that we want to put to you. Once again, I thank you for your appearance this morning.

[191] **The First Minister:** Thank you, Chair.

11:32

**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**

[192] **David Melding:** I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).*

[193] I do not see any Member objecting, so we will now conduct the meeting in private.

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11:32.  
The public part of the meeting ended at 11:32.*

