



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

**Y Pwyllgor Menter a Dysgu  
The Enterprise and Learning Committee**

**Dydd Mercher, 15 Hydref 2008  
Wednesday, 15 October 2008**

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cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

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

Jeff Cuthbert	Llafur Labour
Andrew R.T. Davies	Ceidwadwyr Cymreig Welsh Conservatives
Gareth Jones	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Huw Lewis	Llafur Labour
David Melding	Ceidwadwyr Cymreig Welsh Conservatives
Sandy Mewies	Llafur Labour
Janet Ryder	Plaid Cymru The Party of Wales
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

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

Russell Bennett	Pennaeth, yr Is-Adran Ffyrdd Newydd, yr Adran Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Head, New Roads Division, The Department for Economy and Transport, Welsh Assembly Government
Tracey Burke	Cyfarwyddwr, Polisi, Strategaeth a Gwasanaethau Corfforaethol, yr Adran Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director, Policy, Strategy and Corporate Services, the Department for Economy and Transport, Welsh Assembly Government
Dr Dennis Gunning	Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Director, Skills, Higher Education and Lifelong Learning, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
Gareth Hall	Cyfarwyddwr, yr Adran Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director, the Department for Economy and Transport, Welsh Assembly Government
Lynne Hamilton	Cyfarwyddwr, y Grŵp Gwella Busnes a Buddsoddi Adnoddau, yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Director, the Business Improvement and Resource Investment Group, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
David Hawker	Cyfarwyddwr, yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Director, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
Bryan Herbert	Rheolwr Cynllunio ac Adnoddau, yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru

Jane Hutt	Planning and Resource Manager, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government Aelod Cynulliad, Llafur (y Gweinidog dros Blant, Addysg, Dysgu Gydol Oes a Sgiliau) Assembly Member, Labour (the Minister for Children, Education, Lifelong Learning and Skills)
Matthew Jenkins	Pennaeth, Cynllunio a Pherfformiad, yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, Llywodraeth Cynulliad Cymru Head, Planning and Performance, Department for Children, Education, Lifelong Learning and Skills, Welsh Assembly Government
Ieuan Wyn Jones	Aelod Cynulliad, Plaid Cymru (y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth) Assembly Member, Plaid Cymru (the Deputy First Minister and Minister for the Economy and Transport)
Mark Osland	Cyfarwyddwr Cyllid, yr Adran Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Finance Director, the Department for Economy and Transport, Welsh Assembly Government
James Price	Cyfarwyddwr, Trafnidiaeth ac Adfywio Strategol, yr Adran Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director, Transport and Strategic Regeneration, the Department for Economy and Transport, Welsh Assembly Government

**Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol**  
**Assembly Parliamentary Service officials in attendance**

Dan Collier	Dirprwy Glerc Deputy Clerk
Dr Kathryn Jenkins	Clerc Clerk
Ben Stokes	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Anne Thomas	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Graham Winter	Gwasanaeth Ymchwil yr Aelodau Members' Research Service

*Dechreuodd y cyfarfod am 9.31 a.m.*

*The meeting began at 9.31 a.m.*

**Cyflwyniad ac Ymddiheuriadau**  
**Introduction and Apologies**

[1] **Gareth Jones:** Bore da, bawb, a chroeso i'r cyfarfod hwn o'r Pwyllgor Menter a Dysgu. Yr ydym wedi ymgynnull mewn man cyfarfod gwahanol, sef y Siambr, a pheidwch â darllen dim o hynny. Rhyw symudiad i'r ochr ydyw yn hytrach nag unrhyw fath o ddyrchafiad, ac mae rhesymau digonol pam yr ydym yma.

**Gareth Jones:** Good morning, everyone, and welcome to this meeting of the Enterprise and Learning Committee. We have gathered in a different meeting place today, namely the Chamber, but do not read anything into that. It is a sideways move rather than a promotion, and there is a good enough reason why we are in this location.

[2] Atgoffaf bawb i ddiffodd eu ffonau symudol ac unrhyw ddyfais electronig arall. Nid oes angen cyffwrdd â'r meicroffonau yn ystod y sesiwn. Nid ydym yn disgwyl ymarfer tân. Felly, os clywn unrhyw fath o larwm, rhaid inni symud o'r Siambr, ac efallai allan o'r adeilad. Bydd y cyfarfod yn ddwyieithog, a bydd Cofnod o'r cyfan a ddywedir yn gyhoeddus.

I remind everyone to switch off their mobile phones or any other electronic devices. There is no need to touch the microphones during the session. We do not expect a fire drill. Therefore, if we hear any kind of alarm, we will have to vacate the Chamber, and perhaps the building. The meeting will be bilingual, and there will be a Record of everything that is said publicly.

[3] Mae ymddiheuriad wedi dod i law gan Christine Chapman, a deallaf fod Kirsty Williams yn rhedeg ychydig yn hwyr ac y bydd yn ymuno â ni yn nes ymlaen.

I have received an apology from Christine Chapman, and I understand that Kirsty Williams is running a little late but that she will join us later.

9.32 a.m.

### **Craffu ar y Gyllideb Budget Scrutiny**

[4] **Gareth Jones:** Yn yr eitem hon, byddwn yn craffu ar gyllideb 2009-10. Gosodwyd cyllideb Llywodraeth y Cynulliad Cymru gerbron y Cynulliad ar 7 Hydref. O dan Reol Sefydlog Rhif 27.3:

**Gareth Jones:** In this item, we will scrutinise the 2009-10 budget. The Welsh Assembly Government laid its budget before the Assembly on 7 October. Under Standing Order No. 27.3:

[5] 'Caiff pwyllgorau heblaw'r Pwyllgor Cyllid ystyried cyllideb ddraft y llywodraeth a chyflwyno argymhellion i'r Pwyllgor Cyllid yn ei chylch heb fod yn hwyrach na phythefnos ar ôl iddi gael ei gosod gerbron y Cynulliad'.

'Committees other than the Finance Committee may consider and make recommendations to the Finance Committee on the draft budget for the government no later than two weeks after it has been laid before the Assembly'.

[6] Dyna pam yr ydym yn cyfarfod y bore yma. Bydd y pwyllgor yn craffu ar y Gweinidogion o ran eu cynlluniau gwariant a'u blaenoriaethau at y dyfodol, a byddwn yn anfon adroddiad at y Pwyllgor Cyllid erbyn dechrau'r wythnos nesaf. Felly, mae amser yn brin.

That is why we are meeting this morning. The committee will scrutinise the Ministers on their spending plans and their priorities for the future, and we will send a report to the Finance Committee by the beginning of next week. Therefore, time is of the essence.

[7] Croesawaf Ieuan Wyn Jones, y Dirprwy Brif Weinidog a'r Gweinidog dros yr Economi a Thrafnidiaeth, a'i swyddogion. Gareth Hall yw cyfarwyddwr Adran yr Economi a Thrafnidiaeth, a James Price yw'r cyfarwyddwr trafndiaeth ac adfywio strategol. Diolch ichi, Ddirprwy Brif Weinidog, am gyflwyno'r papur sy'n amlinellu eich blaenoriaethau ar gyfer y gyllideb nesaf. Fel y dywedais, mae amser yn brin. Nid ydym am gael cyflwyniadau y bore yma. Yr ydym am droi at yr Aelodau i ofyn cwestiynau, a David Melding sydd â'r cyntaf.

I welcome Ieuan Wyn Jones, Deputy First Minister and Minister for the Economy and Transport, and his officials. Gareth Hall is the director of the Department for Economy and Transport, and James Price is director of transport and strategic regeneration. Deputy First Minister, I thank you for submitting the paper that outlines your proposals for the next budget. As I said, time is of the essence. We do not want presentations this morning. We will turn to Members to ask questions, and David Melding has the first.

[8] **David Melding:** I will start by saying how important I think this budget scrutiny process is. In our system in Wales, we have a strong Executive and a relatively weak legislature, and looking at the budget and making our suggestions is very important. I was a bit disappointed by how difficult it was to analyse the budget, given how it has been presented. I realise that much of that is due to the technicalities of the reprioritisation, but it has taken a lot of work. We got the final figures that we could compare, through the work of our research staff, only yesterday afternoon, and I hope that the Minister will accept that that really does not promote due diligence and effective scrutiny of the Executive.

[9] I will start by asking a general question of the Deputy First Minister. As a result of the reprioritisation exercise, we have seen—if I can crudely summarise it—a shift of revenue expenditure from economic development to transport and a shift of capital expenditure from transport to economic development. Given the recent banking crisis, do you feel that that type of reprioritisation is still appropriate and should the general priorities, as laid out in this budget, be reassessed in the light of the autumn's events? For example, we are preparing ourselves today for a rise in unemployment—let us hope that it does not transpire, but more observers think that it will happen. I know that you have an ambitious commitment to an 80 per cent employment rate. How will an objective like that be advanced, given the challenging economic times we seem to be facing?

[10] **The Deputy First Minister and Minister for Economy and Transport (Ieuan Wyn Jones):** I would like to make it clear that, as well as Gareth and James, I have Mark Osland with me, who is the finance director of my department. If there are very detailed questions about why certain transfers have happened, and in what way, Mark is in an excellent position to answer them.

[11] Any prudent department would assess, during the course of the year, what its budget will look like at the end of the year. At some time in the year you must assess whether there are pressures in one part of your budget that need to be addressed. In the current financial year, we have had to reprioritise, because the Government wanted to prioritise other areas, but also because there were quite significant pressures within the transport portfolio. The full details of the budget were finalised before the start of the financial year—and I am not quite sure when that would have been—so it is perfectly appropriate for the department, within the year, to reallocate within that, because if there are pressures, you need to address them. I am sorry if information about the reprioritisation came late, but, because of the system that it needed to go through, it was impossible for us to get that information to you in time. If there are detailed questions that you feel we cannot answer today, because you have not had the time to look at the information in detail, my officials stand ready to answer those in writing.

[12] There are two significant pressures within the transport budget that determined that we needed to look at it. The first related to concessionary fares, which has been one of the most popular policies to have been introduced. The success of that has meant that there has been significant increase in take-up every year—in fact, it has exceeded even the best possible predictions of the officials. Therefore, we had to address that particular issue. The other cause for consideration was the Arriva Trains Wales franchise. Under that franchise, if the company performs well, we have to recognise it financially. It is very difficult to predict at the beginning of the year how well it will perform. As performance has exceeded expectations, payment is due to the company. These performance targets relate to the fact that services have run on time, more or less. Perhaps James can elaborate on that at some point, if we need some more information.

[13] Those were the two significant pressures, so we had to reprioritise. The question then was how we did this within the budget. We have made it clear that, within the economic development budget, our priorities are to support those businesses that we have categorised as

important for the Welsh economy, through the ministerial advisory group recommendations, and, secondly, research and development. We have tried to protect those budgets and have looked to see whether we could identify significant underspends that might occur before the end of the year in other areas. That, basically, is the way in which we have reprioritised.

9.40 a.m.

[14] You asked a very interesting question about whether we need to look again at the budget for the next financial year, in view of the credit crunch and so on. The answer to that is 'yes'. It is a bit early for us to determine exactly how we would want to do that, but rest assured that officials and I are looking very carefully at the way in which we might want to address it. I think that it is a little bit early to be making hard and fast decisions. The unemployment figures, as you know, have now been out for about nine minutes, so we have not had an opportunity to look at them, but I think that the feeling is that the figures may well have gone up. However, there is a lag between any financial crisis and increases in unemployment, so we might see those figures go up even more at the turn of the year. When we are in a better position to address them, we will come back to you. I am happy with, and very much welcome, the fact that there has been an all-party approach to dealing with this. I am happy to share any information with the committee as we go forward.

[15] **David Melding:** I thank the Deputy First Minister for that response. I will follow up on where we are with the international situation and on some of the decisions that you have made and how robust they are likely to be in the new environment, although I accept that they were made in a more benign economic situation.

[16] I place on record a problem that may not simply be a problem on the Executive side, because it may be that we may need to look at the Standing Orders. However, I do not think that it is satisfactory for committee members to have received the robust figures that we use to make comparisons and scrutinise the budget effectively only 12 hours before we met. I am sure that all Members will have studied the figures and will have prepared as well as they could for this morning's session, but we will not have been able to do any other wider research and I think that the Executive needs to go away and think about how this occurred. I think that perhaps we also need to consider it on the legislature side. This is not serving the people of Wales to the best effect.

[17] I will pursue one point. The Deputy First Minister, very helpfully, focused immediately on some of the revenue pressures of concessionary fares and Arriva Trains' performance improvement. I accept that that is part of the contract and is not something that you can closely predict. The concessionary fare scheme is now running at a cost of many millions of pounds—I do not have the actual figure at the moment—in a time of economic difficulty that may possibly become a crisis, if things deteriorate, and it does not seem to me that that budget line carries great economic development potential. A lot of the people who receive those concessionary fares will not be paying a mortgage, they will have a very secure pension and they will be among the richest people in society, although I also know that many pensioners will not be. Overall that is not a budget line that is expanding that you would think would have great potential for helping to alleviate an economic crisis, whereas the maintenance of trunk roads would be. We have seen a considerable decrease in that capital budget of £11 million and I just wonder whether this is the sort of area that the Deputy First Minister will now be looking at.

[18] There is also a significant reduction in flexible support for business. According to the figures that I looked at—the figures that you have presented will need to be effectively analysed—there is a reduction of £6.3 million in that area. How will that improve our chances of mitigating the tougher economic times that probably lie ahead?

[19] **The Deputy First Minister:** That was quite an interesting take on concessionary fares. I am not sure whether it is your personal view or the view of the Conservative Party that we should be cutting the concessionary fares' budget. It is a very popular policy that has had widespread support and, in fact, many Assembly Members have been writing to ask me not only to increase it, but to extend it to cover travel to England. That is the first time that I have been requested to look to see whether I should be cutting that budget, but let us put that to one side.

[20] You compared concessionary fares with the maintenance of trunk roads, but the reality is that the great pressure on transport is to meet the demand for the increased number of passengers on public transport. I have seen the figures, and they show that, whether it is bus passengers or train passengers, the numbers are increasing substantially, over and above what we predicted. We have to meet that increased demand. That meets two particular targets, in that it gets people out of their cars and onto public transport, and it means that many people who, traditionally, have not used public transport will change their mode of transport quite considerably. When I said that there were pressures in the budget for this year on those two issues, I should also have mentioned that, for next year, there will be an extra £18 million, £15 million of which will go to meet the pressures that I mentioned. That also allows me to introduce some new train services; for example, I announced the half-hourly service from Merthyr to Cardiff, which will happen from May 2009, because I created some headroom to allow me to do that. It is proper for us to pursue in the transport strategy the policy of moving people away from their cars and onto the trains.

[21] I will ask James to come in on the point about road maintenance. The Government would also want, in dealing with the economic crisis, to consider bringing forward the capital projects that might help to stimulate the economy. That is something that we will be looking at. I will now ask James to answer the detailed question on road maintenance, and I will ask Mark to come in on the issue of flexible support for business. Before that, I make this general point about flexible support for business, which is that we are bringing a lot of schemes together under the single investment fund. So, if you look for money that used to be under a particular budget expenditure line, as it was dedicated under the old system, you may well find that it is now within an enhanced single investment fund somewhere else in the budget.

[22] **David Melding:** That enforces the need for having effective figures presented to us, so that we can scrutinise properly.

[23] **Gareth Jones:** Before James answers, Andrew, did you have a specific point to make?

[24] **Andrew R.T. Davies:** It is just the Deputy First Minister's almost throwaway line about bringing capital projects forward to stimulate the economy. That would have a significant impact on the budget. What considerations, or what particular projects, do you have in mind to add stimulus to economic development here in Wales? It is not something that you can just say, because major capital projects have big impacts on various areas.

[25] **The Deputy First Minister:** I know that they do, which is why it would be improper of me to give examples today. This is something that we are currently looking at. We have made no decision about them, but they represent one way of acting. Your colleague asked me what sort of things we ought to be doing, and that is one thing that we might want to look at. We are assessing a range of options, and that is one of them. It may not be possible to undertake such projects in certain areas, but other devolved administrations are looking at similar schemes. I am not, however, in a position to give details.

[26] **Andrew R.T. Davies:** Are you confident that your budget could tolerate bringing capital projects forward, rather than just talking about it?



[27] **The Deputy First Minister:** Of course. It is not just my department; it goes across the Government.

9.50 a.m.

[28] **Mr Price:** You were talking about a net reduction of £11 million in the budget line for maintaining the trunk road network. The bottom paragraph of the narrative may be slightly misleading, in the sense that it says that a total net reduction of £11.1 million has been made. It goes on to say that transfers have been made and to where. The second sentence is a generic statement about where transfers have been made in relation to generic pressures on the budget. If you look at the specifics of where that £11 million has gone, and I appreciate that it is difficult to do, £7 million of the £11 million is capital funding, and all of that £7 million has gone into other types of road maintenance. Therefore, while that line is £7 million down on capital, £3 million has gone into road safety improvement schemes and £4 million has gone into what we call upgrade schemes, which is all about improving the safety of stretches of trunk road. So, in effect, we have reprioritised safety maintenance on the capital side into different budgets. It is still part of the same overall programme.

[29] However, the remaining £3 million is revenue funding, and you are right to say that we have reduced the proposed budget in that area. It is quite a difficult budget to look at, because it is largely demand-led—it depends on the conditions of the road at any one time, and it depends on the weather, and whether there is flooding or extremely bad winter weather. So, we are constantly reviewing that and that budget may have to change as a consequence.

[30] **The Deputy First Minister:** Gareth would like to come in on Flexible Support for Business before we go on to the details.

[31] **Mr Hall:** To add to what the Minister said and to pick up on the first point that Mr Melding made, we have introduced Flexible Support for Business. The first phase was about bringing together all of our different capital grants. From 1 November, we are bringing together all of the revenue grants. So, to answer his specific question about how we can be responsive to the needs of business in a changing climate, the whole essence of Flexible Support for Business is to do exactly what it says. Rather than having a whole host of prescribed support mechanisms, into which we used to try to fit businesses, in future, we will have flexibility to respond to their specific needs.

[32] The other point that we need to make is that these figures do not include the European funding support that we have in addition, so a lot of this money goes to match fund European money. We have had a number of projects approved for helping small business, and, most recently, we had Welsh European Funding Office approval for the ReACT fund, which is specifically targeted at helping businesses in difficulties and supporting people who are made redundant. That would be an important part of the package on offer.

[33] **Mr Osland:** I wish to cover a few points that Mr Melding brought up. I appreciate the need for Members to receive information in sufficient time to give it proper scrutiny. In that respect, the budgets were published on 7 October and the detailed budget expenditure line tables were available. What was not available was supplementary information that was requested from us quite late last week. That request was not anticipated. In the normal course of events, the budget expenditure line tables would be sufficient to give you the analysis that you need. However, this year, there have been some added complications because of a slight restructuring of the tables. As a general comment, the changes in the tables are a combination of three things. First is the £18 million in additional money that we managed to get through the budget process this year, which the Minister referred to. Then there is the need to reallocate funds to meet pressures and contractual commitments elsewhere in the main

expenditure group, which has also already been referred to. Thirdly, as a result of the restructuring of some of the spending programme areas and budget expenditure lines, we have picked up certain activities and re-presented them elsewhere. So, whereas in some cases it looks like a reduction, it is simply a matter of activities being re-presented elsewhere in the tables.

[34] Specifically on the Flexible Support for Business point, the tables show the £6.3 million that Mr Melding referred to. Of that, £2.5 million is simply a re-presentation of activities that were elsewhere in the main expenditure group. It has been transferred. So, there is no reduction, as such, in the business support activity. The remaining balance of about £3.8 million is a true reduction, which has been used in the reprioritisation exercise and put elsewhere in the MEG. I just wanted to clarify that.

[35] **Gareth Jones:** I clarify that we requested the information because some extrapolation is needed when everything is amalgamated under a BEL. You have to analyse. I have to say, sincerely, that that is part of the problem that we have had, and we made a specific request on this the day after we received this information. However, that is something for another day, and we will make note of that, hoping that it will be clarified in future sessions.

[36] **Mr Osland:** I totally sympathise with the difficulty that you may have in looking at some of these numbers. The way in which the tables are presented and the format of the columns is the historical way of presenting these data, which has been used for many years by the finance department. However, it is not the easiest of presentations; I totally agree with that.

[37] **Kirsty Williams:** You say that the tables are presented in the way that they have been historically, but this committee has previously asked for improvements in how the budget figures are presented to us. I do not think that anybody should be surprised that the BEL tables are not sufficient for this committee, because I recall that we had the same discussion in last year's budget scrutiny session, and we made a specific request about how the figures for this year's budget should be presented. That request has not been acted upon. We were clear last year about what this committee felt that it needed by way of figures and how they are presented, and that has not happened.

[38] **Mr Osland:** I was not aware of that, but I take your point.

[39] **Gareth Jones:** We have noted that. Let us move on. I call on David.

[40] **David Melding:** I would like to follow up on all sorts of things, but I realise that it is 9.55 a.m., so I will not.

[41] **Jeff Cuthbert:** I accept that we are in very difficult economic times, and you have an economic summit tomorrow. I am sure that we will all be watching the outcomes of that carefully. I refer to that because Welsh Assembly Government expenditure is one thing, but the overall economy of Wales depends on a number of partners. So, my first few questions are about the partnerships with businesses and higher education, in particular, and the Gibson review, because this committee has been doing considerable work on the economic contribution that higher education can make, so we are keen to see that sort of partnership developed. On the Gibson review, which you are undertaking jointly with the Department for Children, Education, Lifelong Learning and Skills, do you feel that there is sufficient funding to make the implementation of the Gibson review effective? Linked to that is the issue of research and development in Wales, which has not been as high on the agenda as we would like. Do you feel that there is sufficient support in the budget to ensure that there can be the right level of business expenditure on research and development, and where is that shown?

[42] My final two questions are a little more parochial and to do with rail transport. I have raised the issue of Queen Street station with you before, Minister, and I am aware of your expenditure plans to service the Valley lines coming through Queen Street station. At this point, you have not allocated moneys—I believe that it was something like £25 million—should the bridge over Newport Road need to be extended. However, I understand that you are keeping that under review. If it comes to pass, regrettable though it may be, that you need to put a third track over that bridge, is there sufficient funding in your budgets to allow for that to happen, bearing in mind that you are keeping it under review?

[43] Finally, and this is even more parochial, on Arriva Trains and the Rhymney valley line, considerable expenditure has been made to lengthen platforms, to improve signalling infrastructure and to provide more rolling stock, which I understand is still in the west country, for Arriva Trains. At what stage can the people of the Rhymney valley expect to see that investment delivered to them in tangible form in longer trains?

10.00 a.m.

[44] **The Deputy First Minister:** I will first deal with the issue of the Gibson review. I am totally satisfied that there is sufficient funding for the delivery of that programme. We have to remember that it does not just involve my department; it also involves the education department, European funding, higher education institutions and companies. Therefore, there are four partners involved. I am quite confident that sufficient resources have been allocated to ensure that the research and development capture from our universities and their links with business is substantially higher than it has been historically. I think that this is an agenda with which everyone would agree.

[45] I am sure that you will know, from your own constituency experience, that where a company has its research and development headquarters linked to whatever it is trying to do, it is much more resilient in a downturn than a company that has its research and development headquarters located elsewhere. Therefore, the capture of research and development and commercialising it leads to a better paid workforce, a better qualified workforce, and a more sustainable economy. Therefore, all of that is fine.

[46] On research and development, Mark has just reminded me that the sum for research and development is within the Flexible Support for Business budget head. I think that it is around £16.5 million this year. Therefore, I am quite satisfied that that is the case. I am quite encouraged by the buy-in. Obviously, it takes time, as it is a new way of working, but I am very encouraged by the buy-in that is now beginning to emerge in some of our universities and business community. I think that Gareth would like to reinforce that point.

[47] On the detailed question about Queen Street station, I will ask James to come in. You will remember, Jeff, that the bid that we made through the Department for Transport was for a significantly higher capital allocation than that which we received. I think that the bid put in for the infrastructure works was around £40 million, but the amount granted by the Department for Transport, I think, was around £20 million, and so about half of what we asked for. Therefore, that somewhat constrains what we can do.

[48] On the issue of Arriva Trains and the lengthening of platforms, the reality is that each time there is an infrastructure improvement, which has happened on the Valleys lines, I then, quite rightly, have to find a revenue stream within the budget to allow the provision of more services. Obviously, if you have more services, there has to be a revenue stream attached to that. Given the success of this year's bid to the finance department, I am able, from May 2009, to introduce half-hourly services from Merthyr Tydfil, which will mean that some of the carriages that were reallocated will have to be brought back to us. I think that we have to give three months' notice. Is that right, James?

[49] **Mr Price:** Yes; it is three months.

[50] **The Deputy First Minister:** Therefore, some of those carriages will be brought back, but I cannot really announce any further services until I have identified a revenue stream within my budget. There is a range of other services that need to be considered. It is my job, with my responsibility for transport, to identify a suitable revenue stream that allows me to introduce those services. We are working very hard on that.

[51] Would you speak on the university aspect, Gareth, and then James can speak about Queen Street station?

[52] **Mr Hall:** The £16 million to which Mark referred contributes to match funding for a £50 million Academic Expertise for Business project that has been approved, towards which we will have a total of £21 million of European funding. We have already started to approve projects. The University of Glamorgan has now established a new national automatic information and data capture centre. We are building on best practice from the previous European funding round and we are extending this, not just to universities but also to colleges of further education.

[53] On the Gibson review, we have met with all of the vice-chancellors. We are working specifically with the vice-chancellor of Aberystwyth University and with Professor Wayne Powell, the director of the Institute of Biological, Environmental and Rural Sciences, of which the former Institute of Grassland and Environmental Research is now a part, so that is now undertaking wider biological and environmental research, and the Assembly Government has made a substantial investment into that. We are looking at specific knowledge transfer and commercialisation activities there and, later on this morning, the Deputy First Minister will meet with the vice-chancellor of Swansea University, which has exciting plans for an innovation campus, where it would be working with major players in the key sectors that were identified by the advisory group, and there would also be spinouts from that. We are replicating that elsewhere.

[54] There are also, interestingly, joint bids between different universities, for example, the University of Wales Institute, Cardiff, and the University of Glamorgan, into this Academic Expertise for Business fund. We can keep you updated on how that is progressing.

[55] **Mr Price:** This may not be enough of an answer for you, but we have a proposal for an extra bridge that has been around for a long time. It is quite expensive, and we have been working with Network Rail to look at other options for improving capacity in that area.

[56] There is a lot of work ongoing around re-signalling at present, and the view is that the re-signalling work will increase capacity significantly. I was in discussion with Network Rail the week before last about this, and its view was to see what capacity we can get up to after the re-signalling work has finished, and then to re-look at the bridge, if necessary, in the round and against other investments that we might also want to make on the capital side.

[57] **Jeff Cuthbert:** I welcome what has been said on the Gibson review and research and development, and I trust that that will come to pass, as you said and as I said at the beginning, in partnership with other sectors and through European structural funds, which I am particularly involved with.

[58] On the issue of rail transport, thank you for what you have just said about Queen Street station. There is a move forward there towards keeping it under closer review and looking at the possibility of needing an extra span, which would be a new, wider bridge, in effect.

[59] On what the Minister said about the Rhymney valley line, my constituents, rightly, keep drawing to my attention the following. They have seen that considerable investment has been made in signalling, in creating longer platforms and in rolling stock—and I welcome the extra trains for the Merthyr line—but they are saying to me, ‘We’re keen to get off the road and onto trains, because it is a good link down from Rhymney to Cardiff and beyond, but it is too crowded—even at peak times there are only four cars. The investment has been made, so when are the six-car trains going to come in for peak times?’.

[60] **The Deputy First Minister:** I do not disagree with the point that you are making. Investment has been made to enable an increase in the services and to ensure more frequent services, and I would love to be able to say, ‘Yes, Jeff, it will happen quickly’. However, what I must do internally is ensure that, if I make an announcement for those services, I have the revenue cover for it within my budget. I have already indicated what the current pressures are. I have been able to create headroom for a revenue stream for some of those services, but I have not yet been able to identify the revenue stream for all of them. I accept the point that you are making about the Rhymney valley, and I understand your frustration.

[61] A report that has appeared today states that, throughout England and Wales, we have a greater demand for passenger services. I have received requests relating to other lines in Wales, because people see that we are making infrastructure changes, so they are asking, ‘When are we going to see the new services?’. I would love to be able to say that I have the revenue stream, but, currently, I do not. Perhaps you would like to say something on this, James?

10.10 a.m.

[62] **Mr Price:** It is worthwhile mentioning one other thing. We have been working with Arriva Trains Wales and talking to First Group, which is where some of the other units are. We do not just need to bring more capacity online; we need to do so in a way that provides best value for money. We are looking at strengthening the whole rail network to ensure that we make the best use of the units that we have. When we bring extra units back in, it may be that they will not be used on one particular line and that we can make better use of the entire rolling stock, so that it is not parked up so often, and we get better value for money out of it. That exercise is under way, and it will inform everything and will ensure that we get more units for the revenue budget that we have available, which will ensure that we can carry more passengers per pound.

[63] **Andrew R.T. Davies:** I draw the Minister’s attention to his marketing budget for major events and tourism. Constituents come to tell me time and again about difficulties that they have in the tourism sector. There are numerous diversification projects that have gone over to tourism in my constituency, and they have had a pretty bleak summer, to say the least. Your budget shows a marginal decline, but if you allow for inflation, the decline in the budget for marketing and promoting major events is more significant. There is also an overlap with the heritage department, which has responsibility for some elements of tourism. How confident are you that, in the current difficult recessionary times, your budget will deliver the marketing clout that tourism operators in Wales require to sustain their businesses? Surely marketing, like research and development, is something that needs to be protected at all costs in a downturn.

[64] **Ieuan Wyn Jones:** I assume that you understand that tourism is no longer in my portfolio; it is part of the heritage portfolio.

[65] **Andrew R.T. Davies:** Tourism is part of economic development—that is why I prefaced my remarks with a reference to diversification.

[66] **Ieuan Wyn Jones:** If you are asking about the allocation of funds, that is not my responsibility; they come from the heritage budget. Therefore, the questions about the adequacy of the budget for tourism are for the Minister for Heritage, and not for me.

[67] What I would say about the marketing of major events, wearing my economy Minister's hat, is that there are substantial opportunities for tourism around major events. I hope that we will be able to make an announcement fairly soon about the restructuring of the major events unit within the Assembly Government. Hitherto, it has been quite successful in attracting major events to Wales, albeit in an ad hoc fashion—the Ryder Cup is one successful example. We want that to be more coherent, cohesive, and focused and we hope shortly to announce a new major events unit. I believe that it will be located within the heritage department, but essentially, there will be a strong link with the economic development department. I accept that. We are working closely with the tourism department on the Ryder Cup, for example, to maximise the tourism potential of that event.

[68] We must remember that the Ryder Cup is not just about the tourism that can be generated around the event itself; it is about putting Wales on the tourist map internationally. From what I saw from the Ryder Cup in the United States, the tourism potential, including the legacy potential, is enormous. If we do not make Wales a tourist destination after the opportunities of the Ryder Cup, then we will have probably done something wrong.

[69] On major events, the biggest allocation of funding is for the Ryder Cup and the Wales Rally GB. After the Ryder Cup, there will be an opportunity to look at how we use the legacy, and at other major events. Do you want to add to that, Gareth?

[70] **Mr Hall:** We spent a lot of time on, and invested a lot in, establishing a Wales brand. All the marketing services for the Department for the Economy and Transport are provided through the marketing and tourism team. We have Visit Wales and Invest Wales, and every time there is any marketing literature or communications, we stress the underlying theme that Wales is a great place to work and to invest in, which covers economic development. It is also a great place in which to live and enjoy yourself, and to visit—it is also a place to learn. We also promote Welsh food. Those themes and messages come across. So, in marketing terms, we get as much bang for our buck as possible from the different channels and different messages that we use.

10.15 a.m.

[71] **Andrew R.T. Davies:** For clarity, responsibility for major marketing events has now moved into the heritage portfolio, has it?

[72] **Mr Hall:** Yes, but I chair a cross-departmental group. As the Minister said, it was ad hoc before, and we are now bringing it all together so that all departments coalesce.

[73] **The Deputy First Minister:** We have to remember that, although significant budget heads are in different departments, there is now a much greater awareness in Government of the need to work together across departments. With regard to Jeff's point about research and development, it is not just a matter of looking at my department; you have to look at everyone's budgets to see the clout that you have. It is by bringing those together that you can see the potential major advantages. I would like to make one further important point, Andrew. Our presence overseas is pretty limited. For example, where International Business Wales teams are located, we also have Visit Wales teams. There is a lot of joint working. If there can be a pure economic development advantage or a tourism advantage, there is great merit in those teams working closely together.

[74] **Gareth Jones:** Thank you for noting the cross-cutting element. It is a part of our remit as a scrutiny committee. I accept what the Minister has said about budget headings and so on, but it is very important that we relate these various sections for the benefit of Wales.

[75] **Huw Lewis:** I would like to make an observation on the comments made about the Valleys train services, which I am glad Jeff raised this morning. There are echoes of Micawberism here. Large sums of capital spend are, quite rightly, invested in these services—if you take the Merthyr and Rhymney valley lines together, it is between £30 million and £40 million. We then hope that some revenue will turn up to use the new infrastructure that we have. Forgive me if I am being naive, but should we not have thought of that in the first place? There is a 12-month delay in being able to use the brand spanking new infrastructure on the Merthyr line and an indeterminate delay with regard to the Rhymney valley line. Is this any way to run a railroad?

[76] My substantive question is on the trunk road forward programme of major new construction and improvement schemes, which, I think, is the correct terminology. It is a simple question: where is the money in this budget for the duelling of the Heads of the Valleys road, and where is the money in the budget for the improvements in north-south links that are mentioned as being priorities in the ‘One Wales’ agreement? The trunk road forward programme mentions 10 schemes ready to start by 2010 on the north-south links; it is much more coy about the Heads of the Valleys road and when the duelling of that road might be pushed forward. So, is the money there? Will there be a duelling of that road? Will there be a prioritisation of the Heads of the Valleys road and the north-south links? Have any decisions been made?

[77] **The Deputy First Minister:** First, I will respond to the general point. As a Minister, the only decision that I have made about infrastructure changes on the railways relates to the Cambrian line. The decision on the Rhymney valley and Merthyr lines was made before I became a Minister. When I became a Minister, I wanted to check that there was a revenue stream attached to both; there was none. I have worked very hard indeed with my team to identify those revenues streams. I am sorry that Huw did not feel that he could welcome that investment, which is a significant investment for his constituents, and those services will be there from next May. A half-hourly service is a commitment delivered.

10.20 a.m.

[78] I cannot promise the committee that I will make announcements about new services that I have no revenue cover for, and I do not think that the committee would expect me to make such a promise. That would be totally irresponsible of any Minister. I will wait until I can identify revenue streams, following infrastructure changes. It is not only about the Rhymney valley line or the Merthyr line, but also the Cambrian coast line, and substantial investment is being made to improve those lines. There is also the potential for improving the infrastructure between Wrexham and Chester and for infrastructure changes to the Loughor viaduct. All these schemes are excellent in themselves, but, once you have done them, you must identify a revenue stream for them. I will promise the committee that I will do whatever I can to improve the infrastructure, working with Network Rail, but I am not prepared to give an assurance about new services until I have identified a revenue stream for them. When I have done that, I can make such announcements.

[79] On roads, I am pretty sure—

[80] **Gareth Jones:** Kirsty would like to come in on that point.

[81] **Kirsty Williams:** I understand the difficulty that the Deputy First Minister now faces, because he has come into this position, and inherited the commitments made by the previous

Minister—

[82] **The Deputy First Minister:** No, they were made by the previous Government.

[83] **Kirsty Williams:** Yes, but now you have been left holding the baby, so to speak. You must surely have identified these pressures in your budget with the Minister for Finance and Public Service Delivery, and you must have asked him to give you the revenue that you need to bring forward the services on those lines. Why has he said ‘no’?

[84] **The Deputy First Minister:** He has not said ‘no’. What has happened is—

[85] **Kirsty Williams:** You do not have the money in your budget to do it.

[86] **The Deputy First Minister:** That is an unfair assertion. In the budget for next year, I have had an additional £18 million, of which £15 million has been allocated to ease the pressures in the transport budget—and I have already explained to the committee what those pressures were—and I have created some headroom for some new services. It is now a question of priority and of deciding which one to introduce first. I have made a decision on that. I have said that that is not the end of it, because I am still seeking to create more headroom. Once the infrastructure improvements are in place, no-one would like to see services running on the line more than I would. I am still trying to identify more headroom within my budget, against all the other pressures that I face, and it is still my intention to try to find the revenue cover for all the infrastructure changes. As Huw quite rightly points out, there is no point in having infrastructure improvements if the additional services do not follow, but you need money for that and I am beginning to do it.

[87] **Gareth Jones:** Fine. Can we move on to the points that Huw raised?

[88] **The Deputy First Minister:** On the Heads of the Valleys, it is not my intention to make any announcement about new road schemes today, but I can promise the committee that, before the end of the year, there will be a comprehensive statement on all road schemes in Wales.

[89] **Gareth Jones:** That answer is obviously also your response on the north-south link.

[90] **The Deputy First Minister:** Yes, that answer includes the north-south link and the Heads of the Valleys.

[91] **Gareth Jones:** Huw, did you want to come back on anything?

[92] **Huw Lewis:** Yes, thank you, Chair. I am a little disappointed with that answer. I have the figures in front of me and there are indicative plans and new plans, and the figures for the spending programme area for improving the trunk road network show that there will be a boost in capital spend. Am I correct in reading it that way?

[93] **The Deputy First Minister:** Yes, that is right.

[94] **Huw Lewis:** It is not an inconsiderable boost in capital spend, and I am quite excited that that is the case. There must be a reason for the increase; there must be a plan behind it. Can we look forward to at least those two schemes being prioritised in your mind when you draw up your specific recommendations?

[95] **The Deputy First Minister:** I welcome the opportunity offered by Huw to make an announcement today, but I will have to decline the invitation, sorry. There will be a comprehensive statement on the road programme before the end of the year. I can give the



committee that assurance today.

[96] **Gareth Jones:** Fine, thank you. We have to move on. I have the names of two other Members who wish to contribute: Janet Ryder and Kirsty Williams.

[97] **Janet Ryder:** Deputy First Minister, I know that you are aware that, in north Wales, a shortage of power supplies to businesses has been identified. I know that there is ongoing work on that. The problem would be intensified should Flexsys move ahead with selling off its plant, which produces a large chunk of the electricity for that area at the moment. If a need to support increased network supplies to those businesses is identified, which is crucial to keeping some of the major industries in north-east Wales going, do you have the capacity in your budget to support any extra infrastructure that might be needed?

[98] **The Deputy First Minister:** I understand your point, and it is not just an issue in the particular area that you mentioned; it is a serious issue in many parts of Wales. Again, it is a cross-departmental approach that we have to adopt. Energy is Jane Davidson's responsibility under the sustainability heading of her portfolio, but I have been working closely with her, because we have identified this as an issue that we need to address. It is not a simple issue, and there have been discussions with a number of power operators about trying to ensure that extra supply is made available, but it is also a matter of the regulatory framework for energy. We can tell the committee that we are working very hard indeed to overcome some of the difficulties. The lack of a decent energy supply is a constraint on us in developing the economy. We are very much aware of that fact, and we are working pretty hard to address the issue.

[99] **Janet Ryder:** You will understand why I will press you on this next point. You said that you need to identify the revenue support for new services to accompany improvements in rail service infrastructure. Should the dualling of the Wrexham-Chester link go ahead earlier than 2011, as is currently planned, it would not require any extra revenue, but it would cut 20 minutes off every train journey on the north-south link. Please think about what pressure can be put on Network Rail to bring the dualling of that line forward in the schedule.

[100] **The Deputy First Minister:** One has to remember that Network Rail has a comprehensive investment programme for the whole of the network. Infrastructure improvements are needed in a number of areas, and you have identified a major constraint in that regard because of the single track. The crossing on the Loughor viaduct is another example; if significant improvements were made there, we could unlock its potential and run more services to west Wales. Those are two examples. I fully understand the point, and we are working with Network Rail to try to ensure that these infrastructure works are brought forward as quickly as possible. It is not always easy to make progress on some of them, because they have to fall within Network Rail's overall strategy. However, Network Rail and we have identified a number of locations, of which that was one, and I promise to do what I can with Network Rail to deliver that. However, your point is that it does not carry a revenue implication, but I am sorry to say that it does. Introducing new services always has revenue implications. *[Interruption.]* Let me just make the point.

[101] The new service starting on 15 December carries a revenue implication, and any other services that we want to upgrade will carry similar implications. It is not always the case that simply releasing the constraint will not have revenue implications. I always have to consider that fact when making my decisions.

[102] **Gareth Jones:** Diolch yn fawr. Yr **Gareth Jones:** Thank you very much. We dydym yn derbyn y pwynt hwnnw. accept that point.

[103] **Kirsty Williams:** I want to look back on the savings that were supposed to be

realised from the abolition of the WDA and the other quangos. Can you give us an update on whether the projected savings have been achieved, and where you have been able to put that money into your budget? What are the latest estimates of the mergers' cost savings from 2009? We had projected figures last year, and it would be interesting to know whether the figures are the same.

10.30 a.m.

[104] **The Deputy First Minister:** I will ask Gareth and Mark to comment on the detail. We have gone through our budget line by line in preparation for next year, to see how we can make it work better for economic development and for transport. It was a thorough exercise. Hours, even days, have been spent going through it and analysing it, and, where we have been able to make savings in some areas—and we have—we have reallocated those savings as resources for the new things that we want to do. It is the responsibility of us all to see how we can make the budget work harder for economic development and transport, and I am pleased to say that it is because of that very detailed analysis of the budget that I am able to announce new projects. We know that the budget did not get any bigger, apart from the £18 million, so I have had to work hard with my officials, and I pay tribute to them for their work on this. I wanted to make that general point, which is important, from our point of view.

[105] **Mr Hall:** We are in the process of updating our efficiency plan with the Minister for Finance and Public Service Delivery, and we can send you the details of what we have achieved to date and how we plan to make more savings as we go forward.

[106] **Kirsty Williams:** Can you tell us whether you have achieved last year's estimated savings?

[107] **Mr Hall:** Yes, in exactly the way that the Deputy First Minister described. For example, as well as making savings in our departmental running costs coming out of the mergers, and as well as having a major reduction in headcount, we are still making efficiencies in delivering all of the services and more. Flexible Support for Business is an example of how we are getting more bang for our bucks, and we are recycling those savings to deliver more services to business customers.

[108] **Kirsty Williams:** More than £12 million in savings was achieved last year, which you were able to bring to committee. Are you in a similar region this year?

[109] **Mr Hall:** I believe so, yes. That is our plan.

[110] **David Melding:** How are the efficiency savings being audited, because that is a crucial point? Is there a robust system or do you self-certify it?

[111] **Mr Osland:** It is primarily self-certified, as you put it, but there is an intention by the Wales Audit Office to have a full comprehensive audit of the efficiencies made by all accounts in 2010, although I cannot remember the exact date. However, there is a planned audit by external auditors to come.

[112] **David Melding:** I welcome that.

[113] **Gareth Jones:** Diolch am y pwynt hwnnw, David. Ar ran y pwyllgor, diolch yn fawr i'r Dirprwy Brif Weinidog a'i swyddogion am ddod atom—mae'r awr wedi mynd yn gyflym. Diolch am ymateb i'r cwestiynau ac am y drafodaeth.

**Gareth Jones:** Thank you for that point, David. On behalf of the committee, I thank the Deputy First Minister and his officials for coming before us—the hour has flown by. Thank you for answering the questions and for the discussion.

[114] Symudwn ymlaen yn awr at ail ran y sesiwn graffu. Estynnwn groeso cynnes i'r Gweinidog dros Blant, Addysg, Gydol Oes a Sgiliau, Jane Hutt. Yr ydym hefyd yn croesawu David Hawker, cyfarwyddwr yr Adran Plant, Addysg, Dysgu Gydol Oes a Sgiliau, a Lynne Hamilton, cyfarwyddwr y Grŵp Gwella Busnes a Buddsoddi Adnoddau. Croeso hefyd i'r swyddogion eraill sy'n bresennol.

We now move on to the second part of the scrutiny session. We extend a warm welcome to the Minister for Children, Education, Lifelong Learning and Skills, Jane Hutt. We also welcome David Hawker, director of the Department for Children, Education, Lifelong Learning and Skills, and Lynne Hamilton, director of the Business Improvement and Resource Investment Group. I also welcome the other officials who are present.

[115] Diolch i chi, Weinidog, am y papur yr ydym eisoes wedi'i dderbyn. Yr oedd y papur yn amlinellu eich blaenoriaethau ar gyfer y gyllideb nesaf. Ni fydd cyflwyniad y bore yma, felly yr wyf am droi'n syth at gwestiynau'r Aelodau, a gofyn i Andrew R.T. Davies am y cwestiwn cyntaf.

Thank you, Minister, for the paper that we have already received. The paper outlined your priorities for the next budget. There will not be a presentation this morning, so we will go directly to Members' questions; I ask Andrew R.T. Davies for the first question.

[116] **Andrew R.T. Davies:** Thank you, Minister, for coming along this morning. I will go straight into questions, because it was quite surprising how quickly the hour went with the Deputy First Minister.

[117] Higher education funding is one of the key priorities, and we are continuously told of the gap between Wales and other parts of the United Kingdom. In your budget, you have an increase of £7.3 million for 2009-10, and then an increase of £9.2 million. That does not come close to addressing the existing gap, but how do you see your proposed budget working with our higher education institutions to try to make them more competitive?

[118] **The Minister for Children, Education, Lifelong Learning and Skills (Jane Hutt):** Thank you, Andrew. I am pleased to be here to respond to issues around my presentation on the draft budget.

[119] What is important is that we set the strategic priorities for higher education, along with a budget allocation for 2008-09—this financial year, which is the start of the three-year programme—of £440 million to support higher education in Wales. That included a contribution towards pay pressures in HEIs, which has been an issue. There are opportunities to increase income into higher education in Wales. My written evidence mentions the important announcement about the Institute of Biological, Environmental and Rural Sciences, which is a great collaboration between Aberystwyth and Bangor universities; it will receive £16.5 million of Welsh Assembly Government capital money over the next five years, but it has also levered in some UK research council money, from the Biotechnology and Biological Sciences Research Council. We must recognise the £440 million and pick up on those all-important imperatives. They were not in the draft budget—we had to lever in funding from our own corporate resources and find other UK funding.

[120] You will also know, Andrew, that we are undertaking a review on the mission, role and purpose of higher education in Wales. Professor Merfyn Jones is working his way through that review—you have seen its terms of reference—and is working closely with the Higher Education Funding Council for Wales; Roger Thomas, the chair of HEFCW, also sits on the review panel. I believe that the review will help steer the way forward for our vibrant higher education sector in Wales.

[121] **Andrew R.T. Davies:** So, you are confident that your proposed budget will go some

way towards addressing that imbalance. Notwithstanding the ongoing review of higher education, HEIs tell me that they are not on a competitive playing field and that they are falling further behind.

[122] **Jane Hutt:** The review is pivotal to that and we await its outcome. The second phase of the mission, role and purpose of higher education is expected in February and that is where I think there will be significant consideration for the Government—indeed, for the whole Assembly—in addressing this and taking it forward. I believe that you have already touched on this issue with the Deputy First Minister, with whom I am working closely. I am sure that he described earlier the commercialisation agenda and mentioned the fact that we are working closely together to ensure that we are delivering the ‘One Wales’ commitments.

10.40 a.m.

[123] I am delighted that the North East Wales Institute for Higher Education has been granted university status—I am sure that Janet and others will be asking me about that—which was one of our ‘One Wales’ commitments; it has been met this year. We are also pursuing, as Huw Lewis knows, the Heads of the Valleys university initiative, which is also one of our commitments on the key role of HEIs, particularly in relation to regeneration. However, when it comes to the role of the sector, it should look to us, yes, but it should also look to its own competitive edge and, for example, the technology transfer board. Fourteen projects have now been instigated in Wales, and there has been a great deal of collaboration through HEFCW money for ‘Reaching Higher’. So, it is a challenging agenda, and the budget support that I am giving over the three years is crucial. The IBERS announcement was a morale boost for HEIs and put Wales on the world map, given what that the new institute is going to achieve.

[124] **Andrew R.T. Davies:** Given the proposed learning and skills Measure that is currently in progress, there is a great impetus for further education colleges to provide much of that agenda. The budget allows for an increase of £10.5 million in further education funding. Is that completely new money or is it money that has been churned up in the budget?

[125] **Jane Hutt:** As you know, this budget was difficult. We are in the second year of the three-year comprehensive spending review, and I have been quite clear in my written evidence that I have had to reprioritise and look at my budget and scrutinise it carefully. I extracted £10.5 million for learner provision from my budget in order to back learner provision and FE. That is because we recognise the importance of learner provision and of the transformation framework. Others may be asking me about that, but you will see that I have put further funding into the transformation framework in order to support the collaborative effort that we want to see from our institutions. FE is at the forefront of that. We are supporting FE provider partners in education by adding £1.5 million to the £2.5 million already available to support the implementation of the transforming education agenda. I will certainly go on to the other issues relating to FE and 14-19 learning if I am asked about them.

[126] **Andrew R.T. Davies:** You have spoken about reprioritisation, which makes it sound like it is old money, not new money.

[127] **Jane Hutt:** It is money from my budget, but it is new money for that BEL.

[128] **Andrew R.T. Davies:** So, it is new money for further education for the new financial year, going forward.

[129] **Jane Hutt:** Yes.

[130] **Andrew R.T. Davies:** That is fine then. On school builds—

[131] **Gareth Jones:** Just before you move on, Andrew, I think that Kirsty wanted to come in.

[132] **Kirsty Williams:** On that specific point, just to be clear, are you saying that none of that £10.5 million had already been earmarked for the 2008-09 academic year? FE budget years are different from Welsh Assembly Government budget years. Are you saying that that money is completely new and has not previously been earmarked?

[133] **Jane Hutt:** It is completely new, but it is for 2009-10, because that is the budget that we are—

[134] **Kirsty Williams:** It is for the whole range of FE providers, as I understand it, so it would cover adult learning, sixth forms and so on. FE is saying that it needs £16 million just to stay still. So, we are £6 million down even if all the £10.5 million goes into our FE institutions, and they will need an additional £5 million just to increase learning numbers by 2 per cent. How does your budget reflect the stated aims of the Deputy Minister for Skills to get more people participating in courses to raise skills levels?

[135] **Jane Hutt:** This is why I levered out extra money for 2009-10, namely to support learner provision, which is crucial to the FE remit and ambitions. We have a transformation agenda, and college mergers are taking place, such as the merger involving the Welsh College of Horticulture. As a result of the transformation framework, we are looking for new opportunities to ensure that the FE sector can deliver the best outcomes to its institutional arrangements. That is crucial.

[136] You have not mentioned capital, as I thought that you might, Kirsty—you may want to move on to that. I know that the sector is also concerned about capital investment. In DCELLS, we have developed our own strategic capital investment framework, and FE is at the forefront of that. On the transformation agenda, the collaboration between FE, schools and HEIs comes clearly to the fore here. For example, the Heads of the Valleys university initiative is a mixture of FE, HE and schools budgeting coming together. There are also opportunities in relation to European funding.

[137] However, to demonstrate that we are delivering on ‘One Wales’ and on ‘Skills That Work for Wales’, we have 6,753 apprenticeship starts for 2006-07, and 7,433 for 2007-08. The apprenticeship drive, which is key, as you say, to delivering on ‘Skills That Work for Wales’, is all upward, and again is backed by the European funding for Skillbuild, which is also a part of that agenda.

[138] **Kirsty Williams:** My understanding of the figures is that you are taking money out of the 14-19 learning in Wales BEL—am I correct? From the brief that we have been given, that seems to drop off. Is that going into the transformation budget that you are talking about? You mention closer collaboration between schools and colleges. You will be aware that FE tutors are currently not deemed to be qualified to teach in our schools. Qualifications in England have moved on to allow that to happen. I asked last year whether there would be money in the budget for that to be taken forward in Wales, and you said that you would get back to us; it is my fault that I never chased that up—I do not believe that we ever got the answer. I know that work is sitting on an official’s desk somewhere about the new qualification that will allow lecturers to teach in our schools. Is there money in the budget to take that forward—to take it off the official’s desk and to make it happen?

[139] **Jane Hutt:** I will clarify your first point. This goes back to the technicalities of the budget. You may be referring to a transfer that appears in the 14-19 learning in Wales BEL of £280,000. I am glad to be able to clarify that point. This is a transfer to the Careers Wales

BEL, to support Careers Wales online, which complements 14-19 learning pathways. That is a technical adjustment, because this is a policy initiative from Careers Wales to back 14-19 learning pathways.

[140] This will enable Careers Wales online to be kept up to date and to be accessible to all providers, as well as to determine local curricula, ongoing maintenance to the system, and to provide training and advice. Therefore, it is the 14-19 web-based options that are being absorbed into the Careers Wales BEL, as opposed to the 14-19 learning pathways. There is no drop—it is using that money for the online 14-19 learning options tool. The web-based options are crucial for the 14-19 learning pathways, as you know, given the opportunities that are developing around Wales, particularly in relation to videoconferencing and online options. I hope that that clarifies that point.

10.50 a.m.

[141] On the 14-19 learning pathways, we have estimated that the money going into that—and this includes local authority provision—is a total of over £550 million, which is a significant sum. It is important that, when we talk about the £32.5 million for 14-19 learning pathways—and I am sure that you have questioned John about this—that it is the pump-priming funding, which includes capital, to drive the new agenda the 14-19 learning pathways curriculum. However, the whole estimation of funding available for 14-19 learning pathways is £550 million. Just to clarify: of the £32.5 million, £20.9 million is revenue, £2.6 million is capital, which is by formula, and the £9 million is capital achieved through a bidding process. I am sure that you are aware of this capital. I recently opened learning centres in Llangollen, Prestatyn and Port Talbot. A lot of capital is going into the 14-19 learning centres.

[142] On the issue that you raised with me last year, Kirsty, I am sure that it is being acted on. I do not know whether David or anyone else can help me on this point about the qualifications issue. On the opportunities for young people, the 14-19 learning pathways are bringing together capacity in relation to further education lecturers and school teachers teaching learners aged 14 and above. We need to clarify this for you, and we will certainly not wait until next year; we will do so in writing, if that is okay, Chair.

[143] **Gareth Jones:** Yes. Janet wants to come in on the FE aspect.

[144] **Janet Ryder:** To expand on that point, if I understand it correctly, a large sum is available in total for the 14-19 learning pathways and the extra sum that the Deputy Minister is talking about is new money. I would probably guess that, of that large sum that you just mentioned, the majority has already been allocated and is being used in the budget for various provisions. How much is available for the many aspects of the new provision that the Proposed Learning and Skills (Wales) Measure Committee has heard will be needed, which is not just capital provision, but also provision for transport, IT installation and infrastructure and new courses?

[145] I would like to know about the provision of extra courses in particular, because I know that there is a predicted downturn in the number of students that you expect to go into 14-19 learning, but there are also a high number of pupils who drop out. I suspect that the drop-out number might well top the downturn number. Are you completely satisfied that you have considered the full implications of this and have fully costed them? Can you give this committee complete assurance that we will not face the problems that we have had with the foundation phase?

[146] **Jane Hutt:** This is an important point with regard to scrutinising my budget. The learning and skills Measure committee is also looking at this carefully. The purpose of the learning and skills Measure and the 14-19 learning pathways is to transform provision for 14

to 19-year-olds and, within that overall curriculum entitlement, to break down those barriers that have meant that young learners have not had options and to ensure that we meet the demands of new-century learning. So, to clarify, we have been pump-priming the 14-19 agenda over the last three years. That includes putting £73.5 million into piloting and facilitating the transformation of the 14-19 learning pathways, and we are not only talking about this year but about the last three years. I have talked about the £32.5 million per annum being available for this year and year on year, and it is part of that huge overall quantum of £550 million that we have estimated.

[147] Going back to Kirsty's point, we are confident that this will enable us to deliver the policy, because it is about raising performance and contributing to the wider skills needs of the Welsh economy, and it meets our 'One Wales' commitment. However, as you say, this also links to the fact that there are demographic changes; there is a predicted fall in pupil numbers in secondary and further education, according to our projections. I have asked John Griffiths to chair an implementation group on 14-19 learning pathways, similar to the group that I chaired on the foundation phase. Although we have three years of funding, piloting and facilitating, and we have 14-19 learning co-ordinators in every local authority across Wales, when it comes to the roll-out, you need the kind of ministerial engagement that I put into the foundation phase. So, I have asked John Griffiths to chair a similar group to include representatives of the Welsh Local Government Association, the Association of Directors of Education Wales, and other stakeholders such as Fforwm, the teachers' unions, and so on. They will meet shortly, and that is an important piece of information for the committee.

[148] **Kirsty Williams:** Can we then assume that lessons have been learned from the implementation of the foundation phase, and that a group will not have to be set up next spring, as happened with the foundation phase? Are you confident that, come next spring, we will not be having debates on the roll-out, where you and John Griffiths say that the problems are not your fault because you did not get the information that you needed from the local authorities, and they had not told you how to plan it? Are you confident that we will avoid that next spring?

[149] **Jane Hutt:** Not only have I made adjustments to increase the budget, but I have also demonstrated today my ministerial commitment on this front.

[150] **Gareth Jones:** We have now exhausted the FE sector. Andrew, did you want to ask a question?

[151] **Andrew R.T. Davies:** I had a question on FE, but we have moved on. If there is time for me to come back later, I will ask it then.

[152] **Kirsty Williams:** Could I chase up a point on HE that Andrew raised?

[153] **Gareth Jones:** Yes.

[154] **Kirsty Williams:** Minister, your paper coyly mentions the review by Professor Merfyn Jones. We know that that is on your desk right now. Any decisions that spill out of that review, whether we like them or not, need to be communicated to HE institutions, so that they know what regime they will be working under. Could you give us an indication of timings? When will you be coming forward to make a statement on the results of that review? We will probably have an argument about what you decide, but there needs to be clarity.

[155] **Jane Hutt:** Absolutely, and I met with Higher Education Wales on Monday precisely to take stock on where we were. I met with Professor Noel Lloyd and Greg Walker from HEW and told them that I am seeking to make an announcement in November on the first stage of the review, following discussions with Cabinet, and then on the second phase in

February.

[156] **Gareth Jones:** Thank you, Minister. The next question is from Sandy.

[157] **Sandy Mewies:** It has been answered.

[158] **Gareth Jones:** Thank you. Jeff is next.

[159] **Jeff Cuthbert:** Others have exhausted the issue of the 14-19 learning pathways, so I will skip that. Earlier, I asked your colleague, the Deputy First Minister and Minister for the Economy and Transport, about the funding of the Gibson review, which is a joint measure between his department and yours, in partnership with higher education institutions and business. This committee has done a considerable amount of work on the economic contribution of higher education. I will ask you the same question: are you satisfied, given your budget responsibilities, that the funding for the implementation of the Gibson review is adequate? I will also ask about the funding of the foundation phase. Are you confident that the extra money that has been allocated—£20 million in this financial year, and £40 million in 2010-11—is adequate for the full roll-out and implementation of the foundation phase?

[160] **Jane Hutt:** I indicated earlier that I was working closely with the Deputy First Minister and Minister for the Economy and Transport. We have regular meetings about a number of joint 'One Wales' commitments, as well as issues relating to the interface between HE and economic development.

11.00 a.m.

[161] On the Gibson review, I came before this committee with the Deputy First Minister not so long ago, and that was the main theme of our discussions. I do not want to repeat what Ieuan Wyn Jones said, but we are progressing the Gibson review jointly, and it is being delivered. It is not just a review; it is a reality for the commercialisation agenda. However, it will also be part of the second part of the higher education review, which has started. I am confident that we are working on this appropriately together, but the crucial point is that the sector is engaged with us in taking this forward.

[162] We must also recognise that we have quite a good story to tell on higher education and we do not, perhaps, make as much as we could of what the higher education sector is achieving. The further and higher education sectors have secured £208 million from the first tranche of the European funding programmes—as you know, Jeff, as chair of the committee. Higher education institutions have secured £124 million of that. Also on higher education, I should mention the figure of 11 per cent for collaborative research involving public and business funding. We are outperforming six of the nine English regional development agency regions, and Welsh income generation has increased in this area by more than 70 per cent since 2001-02, according to the Higher Education Funding Council for England.

[163] I have mentioned the technology transfer. We are monitoring this much more proactively and are also instigating it 14-19 the 'Reaching Higher' research collaboration. We see that as an important point as regards where we are going on higher education.

[164] The foundation phase was the big challenge for this budget. If you look again at the statement made by the Minister for Finance and Public Service Delivery, you will see that he has levered in money from the reserves to fund specific priorities, one of which was to transform the early years provision. That is what the £60 million is doing over the next two years. I am confident, and Lynne Hamilton beside me here has been instrumental in undertaking the financial modelling with colleagues from the statistics and finance divisions in order to get the baseline right for this analysis of what we need. I am confident that this is



sustainable and that it will deliver for our foundation phase curriculum.

[165] **Janet Ryder:** On the money that is made available for the autism strategy and autism spectrum development plan, it is clear that the action plan is supported from your budget with £1.8 million. Can I have an assurance, Minister, for the cross-party group in particular, that that money is ring-fenced? We sought an assurance that that money would be ring-fenced. This may not be in your budget, but an allocation of £1.7 million, which was not ring-fenced, was made last year in the revenue support grant to support children and young people with complex needs and autism. We have had assurances from Ministers in the past that that money would be continuing but would not be ring-fenced. Where in the budget will we find that money and can you give us some indication as to how this £1.8 million will be used?

[166] **Jane Hutt:** This is where my co-ordinating role as Minister for Children, Education, Lifelong Learning and Skills and chair of the children and young people Cabinet sub-committee comes into play. Yesterday, during the Children and Young People Committee meeting, various portfolio budget areas that do not come out of my budget but from other Ministers' budgets were discussed, but I am co-ordinating action. The £1.8 million for the action plan for autism spectrum disorders came from the budget of my colleague, the Minister for Health and Social Services. I am co-ordinating the work around Disabled Children Matter Wales for that task group, and we are working on this, scrutinising and monitoring its implementation carefully. I will take this back to the Cabinet committee for further reassurance.

[167] **Janet Ryder:** I seek an assurance that the £1.8 million and £1.7 million will be in this year's budget and that you will identify it for us.

[168] **Jane Hutt:** As this is in another Minister's budget, I will need to come back to you in writing to confirm that point.

[169] **Gareth Jones:** Diolch am hynny, **Gareth Jones:** Thank you for that, Minister. Weinidog.

[170] **Kirsty Williams:** There is some rearranging of the BELs for food in schools and nutritional standards in schools. They are combined under a new heading. You will be aware that some concern has been expressed in the Stage 1 committee proceedings on the Proposed Healthy Eating in Schools (Wales) Measure about the ability of schools to deliver this agenda. Regardless of whether that Measure progresses or not—we will find out later today what will happen—you are committed, by your 'Appetite for Life' programme, to see improvements in school nutrition. Can you outline whether you are confident that the budgets that have been allocated address that adequately and make provision for it should the legislation progress?

[171] **Jane Hutt:** We have made a technical adjustment and pulled everything together under the free breakfast scheme and 'Appetite for Life' into the relevant budget line. It is clear what our budget for 'Appetite for Life' is at the moment and we have the two-year action research project, which is now under way—it started this term. It is being evaluated. We also have a grant scheme for all the other authorities that are not engaged in this. For the record, Ceredigion, Merthyr Tydfil, Torfaen and Wrexham are the four local authorities that are in that two-year action research project for 'Appetite for Life', and £6.6 million has been made available over two years to support the work of the action research project. We await further developments this afternoon, but what I have sought to do is ensure that Government policy in 'Appetite for Life' and our commitment to free school breakfasts, which is in the 'One Wales' programme of government, are fully funded, and that is what I have achieved.

[172] **Huw Lewis:** You will be aware of our historic commitment to make Ebbw Vale and Merthyr university towns. My question is simple: do we have sufficient capital set aside in the

budget to build those university campuses?

[173] **Jane Hutt:** The strategic capital investment fund, which I mentioned earlier, is a key source of funding for DCELLS. That is one source for the capital costs of higher education campuses in both Merthyr and Ebbw Vale. European funding is another, as are local providers, including HEIs and local authorities, in the wider picture of FE and HE provision in those two towns. Perhaps it will comfort you to know that my next task and finish ministerial group meeting on the university of the Head of the Valleys is on Monday. I am expecting a progress report on achieving that ambition.

[174] **Huw Lewis:** So, you are saying that, as far as the Welsh Assembly Government is concerned, we are ready and committed, but we need engagement from other partners. Is that fair?

[175] **Jane Hutt:** Yes, that is a fair point. It is about working in partnership, as you know, and you have been very engaged as the local Assembly Member in Merthyr Tydfil and Rhymney. In addition, there are statutory processes that must be gone through and that is clear, certainly in relation to local authority responsibilities. The south-east Wales universities, particularly the University of Wales, Newport and the University of Glamorgan, have committed themselves to focus on the Head of the Valleys university initiative, so they have a key role to play. It is my expectation that the Welsh Assembly Government, higher education institutions, and the local authorities will play their part in this.

11.10 a.m.

[176] **Andrew R.T. Davies:** You will have heard many times in the Chamber and during visits to school estates about the need for a school building programme in Wales. In your own constituency, which is a part of my region, it is hoped that Cowbridge, Llantwit Major, and St Cyres will benefit. However, there is a growing problem due to the antiquated nature of the school estate. Are you confident that you have the money to deliver a modern school estate? Could you identify where that is in the budget and show us that commitment from the Welsh Assembly Government?

[177] **Jane Hutt:** This goes back to a 'One Wales' commitment, which clearly indicates that we are driving forward our intention to deliver twenty-first century schools across Wales and that we are accelerating a programme of school investment. That has to be done by working with local authorities. This was a key question in a discussion for which Kirsty and I were on the panel last Thursday at the Welsh Local Government Association conference. It is proactively providing school investment, but linking that to school reorganisation, which has to be done in virtually every authority in Wales because of demographic changes. However, the uplift in the budget for this session of the Assembly takes us to £667 million. This is what we have spent over the last four years, and the money available for the next four years is £673,972,000, plus the PFI capital costs that we have to lever in as well. That is in addition to the £673 million. That takes us up to about £700 million or £800 million for capital over the next three years. I am also looking to the Strategic Capital Investment Board.

[178] **Andrew R.T. Davies:** You are in a queue, are you not, Minister?

[179] **Jane Hutt:** No, there are no queues for me. I am certainly looking to the Strategic Capital Investment Board, but you will know that this is about delivering in partnership and it is also about ensuring that we can incentivise local authorities. One of the other areas that we are working on across the departments is procurement. I am sure that you have questioned the Minister for Finance and Public Service Delivery about this, and Value Wales is playing a part by bringing together six local authorities to look at how we can cut costs and get value for money in procurement. I know that you would sign up to that. The education leader in the

Welsh Local Government Association is Peter Fox from Monmouthshire. That authority has been proactive in procurement initiatives for its school modernisation. Tomorrow morning, I will open a new school in Llanfoist, which is an example of the developments resulting from the new capital investment in Wales.

[180] **Kirsty Williams:** Earlier, the Deputy First Minister said that using the Assembly Government's capital programme could be a way of trying to defend the Welsh economy from some of the ravages of what is going on around us. He talked about front-loading some of his building programme to boost the Welsh economy. What discussions have you had? Obviously, the refurbishment and rebuilding of existing schools, and the building of new schools, could provide a huge boost to the economy in Wales. Do you have any plans to front-load your school building work?

[181] **Jane Hutt:** I shall certainly discuss this, not only with the Deputy First Minister, but with the Minister for finance as well. The difficulty, as you know, is having them project-ready to move. We had strong messages from the Welsh Local Government Association last week about AMs not getting in the way. There are statutory procedures that we, rightly, have to go through, because so much of capital investment is linked to school reorganisations, creating new opportunities for schools.

[182] There is an issue, for example, in relation to receipts from land sales; it is difficult because those receipts had been making a contribution. I know that Newport, for example, was looking to finance its pioneering capital school investment programme partly by using receipts from land sales. I should say that it was not planning to sell land used for school playing fields, but other land. The public sector has a responsibility and a duty to ensure that we put our money into the economy in that way, and I think that school building work could be a part of that.

[183] **Gareth Jones:** Diolch yn fawr iawn, Weinidog. Nid oes mwy o gwestiynau. Ar ran y pwyllgor, diolchaf yn fawr iawn i chi a'ch swyddogion am ddod atom a'n goleuo ar faterion sy'n ymwneud â'r gyllideb. Atgoffaf Aelodau y bydd adroddiad cryno o'n prif argymhellion a'n sylwadau yn cael ei lunio ar unwaith, er mwyn iddo gael ei glirio gyda holl aelodau'r pwyllgor a'i anfon at y Pwyllgor Cyllid erbyn 21 Hydref, sef dydd Mawrth nesaf, yn unol â'r Rheolau Sefydlog. Diolch i bawb sydd wedi cymryd rhan y bore yma. Dyna ddiwedd y cyfarfod.

**Gareth Jones:** Thank you very much, Minister. There are no further questions. On behalf of the committee, I thank you and your officials very much for coming to the meeting and enlightening us on budget matters. I remind Members that a brief report of our main recommendations and comments will be compiled immediately, so that it can be cleared by all committee members and sent to the Finance Committee by 21 October, that is, next Tuesday, in accordance with Standing Orders. I thank everyone who has taken part this morning. That is the end of the meeting.

*Daeth y cyfarfod i ben am 11.16 a.m.  
The meeting ended at 11.16 a.m.*