

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Robert Donovan
Meeting date: 20 January 2021	Committee Clerk
Meeting time: 09.15	0300 200 6565
	SeneddEIS@senedd.wales

Private pre-meeting (09.15–09.45)

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

1 Introductions, apologies, substitutions and declarations of interest

(09.45)

2 Paper(s) to note

2.1 Letter from the Chief Executive Transport for Wales Re: Evidence taken on the 18 November Committee Meeting

(Pages 1 – 6)

Attached Documents:

EIS(5)–02–21 – Paper 1 to note



2.2 Letter from the Chair, Legislation, Justice and Constitution Committee to the Northern Ireland Assembly Re: UK Shared Prosperity Fund

(Pages 7 – 8)

Attached Documents:

EIS(5)–02–21 – Paper 2 to note

3 Welsh Government Draft Budget 2021–22: Evidence session with the Minister for Economy, Transport and North Wales

(09.45–10.45)

(Pages 9 – 83)

Ken Skates MS, Minister for Economy, Transport and North Wales

Lee Waters MS, Deputy Minister for Economy and Transport

Simon Jones, Director Economic Infrastructure

Sioned Evans, Director Business and Regions

Dean Medcraft, Director– Finance & Operations

Huw Morris, Group Director SHELL

Andrew Gwatkin, Director International Relations and Trade

Attached Documents:

EIS(5)–02–21– Research Brief

EIS(5)–02–21 – Evidence from Minister for Economy, Transport and North Wales

Break (10.45–10.55)

4 Welsh Government Draft Budget 2021–22: Evidence session with the Minister for Economy, Transport and North Wales

(10.55–11.55)

5 Motion under Standing Order 17.42(ix) to resolve to exclude the public for the remainder of the meeting

(11.55)

6 Private

(11.55–12.15)

Welsh Government Draft Budget 2021–22: Consideration of evidence



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Agenda Item 2.1

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Russell George MS
Chair
Economy, Infrastructure and Skills Committee
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07 January 2021

Dear Russell

Thank you for inviting me to speak at the EIS Committee meeting on 18 November 2020, and providing me a further opportunity to answer questions that Members weren't able to reach.

During my appearance, I also said I would write to you with further details. Please see below for further information on these areas.

TfW Board agreement to proceed with a new rail arrangement

Discussions around the need to look at potential options for the future of rail services on the expiry of the Emergency Measure Agreement in November were raised in April 2020. Operator of Last Resort (OLR) was put forward as the favoured option at July's meeting. Formal approval to proceed with OLR was given in October 2020. It was discussed in detail in the intervening Board meetings between July and October, including one extraordinary interim Board meeting in July.

Potential changes to TfW's plans following the new rail agreement

We remain absolutely committed to delivering the Welsh Government's ambitious vision for rail in Wales. The delivery of key improvements, such as the creation of the South Wales Metro, the delivery of brand-new rolling stock for the Wales and Borders rail network and numerous other activities, remain an absolute focus for Transport for Wales and its partners. The reality is however that we will need to deliver this vision in different ways as a result of the Covid-19 pandemic. Our new delivery model allows us to be best placed to continue to deliver through a great period of uncertainty, whilst we review how best to deliver this ambitious vision.



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The cost of this change is being managed through existing Transport for Wales budgets in the context of the 'EMA'. All parties are committed to ensure the changes are managed in as cost effective a way as possible, ensuring safety, customers and colleagues are supported as much as possible throughout the change. It is expected that in the longer term, as a result of the reduction in passenger demand linked to Covid-19, there will need to be continual improvement in the way services and projects are developed and delivered, and the new contractual relationship is aimed to deliver this. Detailed costs are currently part of ongoing negotiations as part of final contract agreements.

We expect that almost all colleagues will transfer into the new franchise/contract model on existing terms and conditions. The grant agreement currently operated by KAO will come to an end on 7 February 2021 and the services will be operated by a public owned subsidiary of Transport for Wales, 'Transport for Wales Rail Limited'. As such, we expect the majority of roles to transfer under TUPE arrangements. It is anticipated that some key managerial and HQ clerical roles, that are deemed AKI roles, may transfer from KAO to AKI. We will through our consultation framework confirm how the roles that sit across both KAO and AKI will transfer.

TfW operations without a formal remit letter

As you're aware, Welsh Government's last Remit Letter for TfW covered until March 2020. However, TfW has been able to continue to operate under Welsh Government instruction and with appropriate governance. Boards continue as normal and TfW has received a temporary letter of coverage from Welsh Government.

The significant majority of TfW's remitted activities are not aligned with the dates of the remit letters and therefore activities roll over across the remit letter timeframes. This includes major infrastructure works, such as the CVL Transformation, alongside our consultancy work, like active travel. 'Roll over' activities such as overseeing rail operations and CVL Transformation account for over 95% of our funding, for example our rail expenditure in October was £38.5m out of total £40m.

When Welsh Government instructs TfW to carry out new activity, we seek a formal request, either written or evidenced by meeting minutes, including funding confirmation. This process is unchanged regardless of the Remit Letter.

TfW has also been able to plan this year as draft remit letters have been shared since early summer. The final version, you'll find attached. A draft Business Plan, based on this remit letter has been submitted to the Welsh Government.



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Our accountability is underpinned via a number of mechanisms and arrangements, which include Welsh Government:

- TfW Steering Board – Monthly meeting where Welsh Government holds me and TfW’s Chair to account. Membership includes Permanent Secretary twice a year, Andrew Slade, a Welsh Government Non-Executive Director, and the Minister for Economy and Transport four times per year. TfW Board meets a week before Steering Board to allow any items from TfW board to be escalated.
 - Ops Board – monthly meetings between TfW Senior Leadership Team and Welsh Government Senior team to discuss progress against remit, based on content of a detailed report tabled at each meeting setting out progress in each area of the business.
 - Delegations Matrix – sets out decisions that require Welsh Government approval – either through Ops Board, Steering Board and, if necessary, through a Ministerial Approval.
 - Management Agreement and Articles of Association with reserved items
- 1. The Committee has previously indicated that reporting on investment should be at least as transparent as previous Network Rail reporting, and that the transfer provides an opportunity to provide greater transparency. With this in mind, please can you set out the arrangements that have been put in place to report on the investments being made in the Core Valley Lines? Please can you include detail arrangements for:**
- **Enhancement investment; and**
 - **Operational Maintenance and Renewal investment.**

AmeyKeolis Infrastructure ("AKI") is a special purpose joint venture which was formed to deliver the transformation of the Core Valley Lines and infrastructure management and maintenance of the Core Valley Lines. The leading partner in this joint venture is Amey, one of the UK’s leading engineering consultants and public service providers. AKI will continue to deliver versatile asset management services, integrated transport planning and engineering solutions designed for the current and future needs of local communities as well as deliver the infrastructure requirements for the transformation of the Valley Lines network.



The Operations, Maintenance and Renewals activity for the CVL Infrastructure Manager is reported periodically in line with the asset management and reporting process set out in the contract. This includes operational performance such as impact on train services, maintenance and engineering compliance and asset renewals delivery and this will continue under the new arrangements.

The funding requirement was reflected as part of the approvals for asset purchase against a five-year plan (called control periods) this supports the Operations, Maintenance and Renewals activity for the CVL. The valuation of the CVL assets occurs annually and will be reflected for this year end.

2. Please can you also set out more generally what measures will be in place to report on operational performance of the lines; and of AKIL's activities in relation to the above bullet points?

We will have a services agreement between Welsh Ministers and TfW Rail Ltd – to deliver on our statutory duties to provide railway services and deliver our timetable – this will replace the current Grant Agreement. TfW will continue to act as agent on behalf of Welsh Ministers for this services agreement, in the same way as TfW has done for the last two years for the Grant Agreement.

There will be a contract between TfW and both UK and Welsh Governments. Welsh services will have a service agreement, which will be made public and the Welsh Government will hold me and TfW's board to account. The Agency Agreement with the DfT will remain in support of delivering cross-border services and our relationship and governance with DfT will continue under the new arrangements. There will still be KPIs etc, and we are working collaboratively with WG to develop a suite of KPIs to help develop this new performance management regime between TfW and WG, building on the existing arrangements. These KPIs will monitor and measure the things that are important to passengers, the Welsh Government and TfW.

We will also have a much more integrated way of delivering rail services under these arrangements, with aligned Boards and reporting and governance arrangements, making our way of delivering train services much more incorporated into every action of every staff member – being built into people's personal objectives and less of a contract management approach.

Performance incentives were to encourage a private contractor to perform well, but internally we'll be guided by TfW's values: Being the best, sharing success, being fair etc. Under the new more integrated model, a contract based management wouldn't be appropriate, but a more organisational and management led model with accountability to customers, owners and elected members will be right.



The original grant agreement sets out the Infrastructure Manager services to be provided by Amey Keolis Infrastructure as a regulated Infrastructure Manager. It defines the operations and maintenance requirements and TfWs role in governance of those services. These requirements will be retained as part of a step in of the current contract.

There are a number of incentives baked into the current AKI contract which incentivise delivery of the transformation. These will continue under the changed delivery model.

- 3. Members are also interested in the regulation of the Core Valley Lines. Please could you set out how the lines are regulated, and specifically the roles played by AKIL, Transport for Wales, the Welsh Government, Network Rail and the Office of Road and Rail and how they all interact within the regulatory space?**

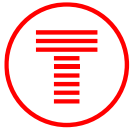
AKIL are the regulated Infrastructure Manager as set out in the Grant Agreement and UK legislation. This will continue under the new model.

The ORR will continue to be the Safety Regulator of the Core Valleys Lines network and AKIL will continue as the appointed Infrastructure Manager. TfW will provide economic governance of the CVL Infrastructure Manager through the requirements set out in the contract with AKIL and managed by the TfW Infrastructure Owner team.

Network Rail remain as the Infrastructure Manager for the remainder of the Wales & Borders network excluding the CVL. As the train services run across the boundary of CVL Infrastructure they have an interface agreement with NR to ensure continuity. They also provide AKIL some services through the CVL services agreement. These include some transition operational services while the new CVL Integrated Control Centre (ICC) is being constructed but also some longer-term services due to NRs role as the rail industry system operator (e.g. timetabling).

- 4. Finally, could you outline the nature of the expected contract with AKIL, specifically whether this will focus on delivery of the infrastructure project or whether it is your expectation that AKIL will act as infrastructure manager in the long-term.**

The contract duration will be 7 years which will allow for commissioning of the new Metro Infrastructure, plus a period of hand back of the infrastructure to TfW and transition to a new Infrastructure Manager.



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I hope this sufficiently answers your concerns. I look forward to hearing from you with any additional questions regarding the core Valleys lines transfer.

Yours sincerely,

James Price
Prif Weithredwr / Chief Executive

Dr Caoimhe Archibald MLA
Chairperson
Committee for the Economy

13 January 2021

Dear Caoimhe

UK Shared Prosperity Fund

Thank you for your letter of 14 December 2020, regarding the UK Shared Prosperity Fund ("the Fund").

While we have not undertaken a specific piece of work on the Fund, we are aware of the issues you have highlighted in your letter. The broader issue of financial assistance powers was raised during our scrutiny of the Welsh Government's Legislative Consent Memorandum (the LCM) on the United Kingdom Internal Market Bill (the Bill). We noted the lack of clarity as to whether such powers were meant to replace, implement or were entirely separate from the Fund. At the time, the Welsh Government's Counsel General informed us that he had raised the issue with UK Government Ministers more than once and had not received a response. In our [report](#) on the LCM, we expressed our concern at the inclusion of such powers in the Bill.



We are aware that the Senedd's Finance Committee has [written](#) to you, setting out its understanding of the position arising from its scrutiny of the Welsh Ministers and from an exchange of correspondence with the Secretary of State for Wales. We were disappointed to see the Minister for Finance inform the Finance Committee that, within the context of the announcement of the UK Government's Spending Review in November last year, the UK Government has "said almost nothing at all" on the Fund and has "shared no meaningful information with the Welsh Government".

We understand that the Secretary of State for Wales will provide evidence to the House of Commons' Welsh Affairs Committee this week, on 14 January, and that the Shared Prosperity Fund is an area likely to be covered in that [session](#).



Should the Fund require any legislative elements, it is likely that we will consider such aspects given the standard remit of our Committee.



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I am copying this letter to Llyr Gruffydd MS, Chair of the Finance Committee, as well as Russell George MS, the Chair of the Senedd's Economy, Infrastructure and Skills Committee, for information.

I hope this letter is helpful to your work and I send best wishes for 2021.

Yours sincerely

A handwritten signature in black ink that reads "Mick Antoniw". The signature is written in a cursive style with a horizontal line underneath the name.

Mick Antoniw AM
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg
We welcome correspondence in Welsh or English



Agenda Item 3

Document is Restricted

Memorandum on the Economy and Transport

Draft Budget Proposals for 2021-22

Economy, Infrastructure and Skills Committee – 20 January 2021

1.0 Introduction

This paper provides information on the Economy & Transport (E&T) budget proposals as outlined in the 2021-22 Draft Budget published on 21 December 2020. It also provides an update on specific areas of interest to the Committee.

2.0 Strategic Context / Covid Impacts

Aligned to Prosperity for All and the Well Being and Future Generations Act, the [Economic Action Plan](#) is the guiding policy and strategy document for all of Welsh Government's activities. The 2021-22 plan builds on the considerable progress in implementing and embedding key elements of the plan, involving engagement with a range of stakeholders, particularly the business community and social partners.

The pathway to Welsh economic recovery from the COVID-19 pandemic builds on the foundations of Prosperity for All: The Economic Action Plan. This shaped an economic development programme which invests in people and businesses - driving prosperity and reducing inequality across all of Wales. The mission builds on the early progress we have made in raising the profile and challenges in the Foundational Economy, recognising there is more to be done to spread and scale the approach.

Other key initiatives, including [Prosperity for All: A Low Carbon Wales](#), Cymraeg 2050, the [Employability Delivery Plan](#) and our Fair Work agenda, run through all interventions. The Well-being of Future Generations Act and its wider framework continue to provide a uniquely Welsh way of tackling the long-term challenges that our people and our planet face. It has guided our approach to reconstruction ensuring a values based recovery. Our mission aligns closely with our Framework for Regional Investment, learning lessons acquired over 20 years of EU cohesion policy and setting out pathways through which we may optimally use replacement funding from the UK Government regionally.

Our intention is to create a Wales in which enhancing wellness and well-being are our driving purpose, delivering a prosperous, green and equal economic recovery that recognises the utmost importance of investing in people and place.

Llwybr Newydd - Wales Transport Strategy, published for consultation last month, sets out a long-term vision for an accessible and sustainable transport system. It contains four high-level cross-cutting 20-year ambitions that can deliver wider benefits to people and communities, to the environment, to the economy and places, and to culture and language. These ambitions will be delivered through a set of five year priorities, targeting ways to reduce the need to travel and encourage modal shift.

It changes our approach to the way we make decisions and investments. The sustainable transport hierarchy gives priority to meeting the demand for travel by walking, cycling and public transport ahead of private motor vehicles. The investment hierarchy's focus is on measures to manage demand, make better use of existing infrastructure (including joined up planning between transport and land use), and on widening and promoting sustainable travel choices.

This new approach is also supported by the final report of the South East Wales Transport Commission that recommends a network of alternatives to encourage people to use more sustainable modes of transport.

The National Transport Funding Plan will define the key areas of expenditure for transport in Wales over the next five years. It will build on previous National Transport Finance Plans, but the approach will be shaped and informed by the new Wales Transport strategy, Llwybr Newydd. The document will be prepared by Transport for Wales.

In addition to additional funding, we have also reformed the way that public transport services are delivered to reflect the new commercial realities and maximise the benefits and outcomes from our increased funding. The agreement underpinning funding through the bus emergency scheme will deliver a lasting partnership between operators and public bodies giving more control in return for our funding to enable a reshaping of Wales' bus network, supporting the management and interaction across transport modes including smart ticketing, a reference network that meets wider objectives, and coordinated timetabling across modes.

Rail patronage has been severely impacted and in the October we announce the current rail Franchise of the Wales and Borders Network would transition through managed agreement to public control. From February 2021, the delivery of day to day rail services will be the responsibility of a new publicly-owned subsidiary of Transport for Wales, allowing government to have an even greater role in the delivery of rail services in Wales and the borders.

Connectivity has been vital to enable people to work at home and stay connected and less isolated. The impact of Covid-19 was mitigated by the designation of telecommunications delivery as an 'essential service' by the UK Government which meant roll out of broadband programmes has continued. Slippage in projects has been minimal which has meant low impact on budgets both in the short and long term. Delay in the start of the Local Broadband Fund which relies upon local government and community applications may impact on the funding requirements for projects in the long term.

For the recovery Welsh Government's role in ensuring an adequate provision of investment ready sites and premises to support growing businesses in Wales addresses the property challenges that stand in the way of delivering government policy under Prosperity for all: the economic action plan, and a more prosperous and fairer Wales. Overall, the central rationale for intervention in the market remains strong, and is likely to be reinforced by the current crisis, especially in conditions of widespread uncertainty. However, as the economy moves towards recovery, there will need to be a greater role for the public sector than might have been envisaged. The provision of appropriate commercial property will form an important part of the mix. Over the longer term, 'reshoring' could impact positively on demand. This could include a desire by manufacturers to build in resilience across the supply chain by

ensuring a wider distribution of productive capacity, which could benefit Wales given its existing manufacturing strengths.

The pandemic has had a major impact on delivery timelines and cost profiles for Welsh Government funded local transport schemes due to the initial lockdown and the required changes in working practices. The allocation of additional in-year funding to enable local authorities to introduce measures to enable safe walking and cycling in response to the pandemic necessarily diverted some capacity leading to a degree of reprioritisation and postponement of schemes originally planned for 2020-21, leading to an increased project pipeline for 2021-22.

3.0 Summary of Budget Changes

The 2021-22 Draft Budget provides a one year spending plan for both resource and capital. The tables below provide an overview of the changes in planned resource and capital expenditure compared to the prior year for E&T activities. The budget is compared to 2020-21 budgets as requested. To note that the capital baseline reflects the requirements for the portfolio for programmes and projects in delivery with some adjustments. These adjustments have been necessary to reflect the one off nature of some funding which was allocated across a number of portfolios to tackle the impact of the Covid 19 pandemic.

The changes in 2020-21 are provided as the 2020-21 supplementary budgets outlined emergency Covid responses. The [First Supplementary Budget](#) focussed on repurposing existing budgets to respond immediately to the pandemic. The portfolio contribution of £50m was made across programmes. In the [Second Supplementary Budget](#) further measures were set out and allocations primarily supported public transport and businesses, including bus support of £113m and rail £95m.

The total resource budget for 2021-22 is £580.468m (excluding Non-Fiscal and Annually Managed Expenditure (AME)). The fiscal resource budget has increased by £35.971m when compared to the revised baseline. The total resource budget has increased by £36.007m, including an addition of £0.036m to the non-fiscal budget of 192.436m. The AME budget has increased by £97.990m to £127.515m, providing cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, joint ventures, the roads network and other infrastructure. An overview is provided in table 1 as follows:

TABLE 1: Overview of the Resource Budget				
	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Fiscal Resource				
Economy	43,120	56,091	12,971	30%
Transport	327,836	346,436	18,600	6%
Skills	173,541	177,941	4,400	3%
Sub Total	544,497	580,468	35,971	7%
Non Fiscal Resource				
Economy	2,309	2,309	0	0%
Transport	188,691	188,691	0	0%
Skills	1,400	1,436	36	3%
Sub Total	192,400	192,436	36	0%
TOTAL	736,897	772,904	36,007	5%
AME				
TOTAL AME	29,525	127,515	97,990	332%

In the draft Budget there some targeted investments in line with the immediate Welsh Government priorities, including public transport and communities for work. Further financial decisions for businesses, or skills support and transport will assessed as we better understand the impact of the winter months on the spread of the disease.

For 2021-22 the total capital budget is £790.929m, as summarised in Table 2 below:

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
Economy	107,514	86,336	95,336	9,000	10%
Transport	597,952	397,650	681,827	284,177	71%
Sub Total	705,466	483,986	777,163	293,177	61%
Financial Transactions (FT)					
Economy	72,960	0	612	612	100%
Transport	12,300	0	13,154	13,154	100%
Sub Total	85,260	0	13,766	13,766	100%
Total Traditional Capital and (FT)					
Economy	180,474	86,336	95,948	9,612	11%
Transport	610,252	397,650	694,981	297,331	75%
TOTAL	790,726	483,986	790,929	306,943	63%

3.1 Resource

The increase in the resource budget of £36.007m, including £0.036m for non-fiscal resource, is set out in Table 3 below:

TABLE 3: Resource Budget Movements				
Project	Economy £'000	Transport £'000	Skills £'000	Total £'000
<i>Additional Allocations</i>				
Economic Action Plan	3,000			3,000
Export Plan	1,600			1,600
Foundational Economy	3,000			3,000
Public Sector Broadband Aggregation	2,796			2,796
Bus Support		18,600		18,600
Communities for Work Plus			6,000	6,000
Centre for Digital Public Services	4,900			4,900
Total	15,296	18,600	6,000	39,896
<i>Other Movements</i>				
Non-recurrent EU transition funding	(2,325)		(1,600)	(3,925)
Total	(2,325)	0	(1,600)	(3,925)
Total Fiscal Resource	12,971	18,600	4,400	35,971
<i>Non Fiscal Resource</i>				
Communities for Work Depreciation			36	36
Total	0	0	36	36
Total Resource	12,971	18,600	4,436	36,007

3.2 Capital

The capital budget is the final year of the previous Welsh Government capital settlement. This resulted in a restatement of recurrent capital expenditure in the MEG and new specific allocations for one year only. The small net increase in capital budgets of £0.203m is set out in Table 4 as follows:

TABLE 4 : CAPITAL BUDGETS			
Project	Economy £'000	Transport £'000	Total £'000
<i>Traditional Capital</i>			
Rail & Metro		249,680	249,680
Active Travel Fund		20,000	20,000
Strategic Road Network Backlog		15,000	15,000
Valleys Taskforce	9,000		9,000
I2S Repayment Trunk Roads LED Lighting		(503)	(503)
Sub total	9,000	284,177	293,177
Budget Baseline Adjustments	(21,178)	(200,302)	(221,480)
Net Movements Traditional Capital	(12,178)	83,875	71,697
<i>Financial Transactions Capital</i>			
Cardiff International Airport Limited		3,154	3,154
SME Repayable Fund	5,000		5,000
Electric Vehicle Transformation		10,000	10,000
FT Capital Repayments	(4,388)		(4,388)
Sub total	612	13,154	13,766
Budget Baseline Adjustments	(72,960)	(12,300)	(85,260)
Net Movements FT Capital	(72,348)	854	(71,494)
Net Movements Total Capital	(84,526)	84,729	203

The BELs that provide a full breakdown of the portfolio's revenue and capital budgets are detailed by Action in sections 5, 7 and 9.

4.0 Equality, Sustainability, Welsh Language and Demographic Considerations

In formulating our plans, the following key demographics trends from the most recent report, produced by the Office for National Statistics (ONS), on [national population projections \(2018-based\)](#) have been considered which suggest that:

- The population of Wales is projected to increase by 2.7% from 2018 to 3.22 million by 2028, and by 3.7% to 3.26 million by 2043. The number of children aged under 16 is projected to decrease by 4.7% to 536,300 between 2018 and 2028.
- The number of people aged 16-64 is projected to increase by 0.2% to 1,927,700 between 2018 and 2028.
- The number of people aged 65 and over is projected to increase by 16.3% to 758,600 between 2018 and 2028.
- The number of people aged 75 and over is projected to increase by 29.3% to 378,100 between 2018 and 2028.

According to the latest [Relative Income Poverty](#) statistics for the 3 year period up to March 2019.

- 23% of all people in Wales were living in relative income poverty between 2016-17 and 2018-19. This figure has remained relatively stable (between 22 and 24%) for the past 16 time periods. At 23%, the figure is slightly lower than last year's.
- Children were the age group most likely to be in relative income poverty between 2016-17 and 2018-19 (at 28%) and this has been true for some time. This is only the fourth time this figure has been below 30% since the period ending 2005-06.
- 22% of working-age adults were in relative income poverty between 2016-17 and 2018-19. This is down from the 23% reported last year. The figure has been around 21 to 23% for most of the time periods since the late 1990s.
- 19% of pensioners in Wales were living in relative income poverty between 2016-17 and 2018-19. At 19%, the figure is the same as that reported last year and it remains below what it was throughout the mid to late 1990s.
- Living in a workless household increased the chances of being in relative income poverty for working-age adults and children.
- Children living in lone parent families were more likely to be in relative income poverty than those living in households with a couple.
- People who were living in households where the head of the household was from a non-white ethnic group were more likely to be in relative income poverty compared with those where the head of the household was from a white ethnic group.
- Living in a household where there was someone with a disability increased the likelihood of living in relative income poverty for working-age adults and children but not for pensioners.

Integrated impact assessments now form the basis all the investment decisions taken within the Economic Infrastructure Directorate. Transport decisions continue to be underpinned by the published National Transport Finance Plan Impact Assessments in 2015. However, these are now being updated through the following which are in draft:

- Wales Transport Strategy – Integrated Impact Assessment
- Bus Reform Integrated Impact Assessment
- Rail Reform Integrated Impact Assessment
- Aviation – Strategic Integrated Impact Assessment

The budget continues to allow significant support for access to employment, health services, education and leisure through public transport modes. This especially affects those without access to a private car typically reflecting those from poorer parts of Wales and/or from groups with protected characteristics. In particular this budget continues to provide for free bus travel for those aged over 60 or disabled people, whilst also promoting healthy living through active travel where appropriate.

In addition there are impact assessments in other areas of economic infrastructure including

- Digital Infrastructure – Strategic Integrated Impact Assessment (in draft)
- The extension of the PSBA Contract and budget has allowed for the improvements to the PSBA network, including systems used by health

workers to record information about patients in the home setting which can then be accessed by health and social care staff, supporting the vulnerable and older people who are unable to leave their homes.

- Property Infrastructure
- Property Management – Integrated Impact Assessment (in draft)
- Property Delivery Plan – Strategic Integrated Impact Assessment (in draft)

Delivery of new sites and premises is undertaken in line with Welsh Government’s sustainable Buildings Policy and best practice principles of sustainable development, as outlined in Creating Sustainable Places Together. Impact Assessments are prepared for both property delivery and management functions and will inform decision making. The Property Delivery Plan sets targets for delivery on a regional basis to ensure a spread of economic opportunities across Wales.

Our plans have been prepared with an integrated approach to the decisions taken in line with [Prosperity for All: the national strategy](#). As part of the budget setting process, our key budget decisions have been considered to better understand the overall impact on different groups of people. Socio-economic disadvantage is an underpinning consideration when assessing the impact of decisions.

Our budgets support the EAP which sets out policy, delivery, and behavioural changes to support and reflect our Well-Being objectives. EAP aims to support improved levels of wealth and well-being in the aggregate, whilst reducing inequalities experienced by individuals and communities across Wales. It also sets out a vision for inclusive growth, built on strong foundations, supercharged industries of the future and productive regions. The EAP drives the twin goals of growing the economy and reducing inequality. Our approach to Economic Reconstruction builds on the strong foundations and principles of the EAP, the vision is to create a Wales in which enhancing well-being is our driving purpose.

5.0 **ECONOMY – FUNDING OF ACTIONS**

Compared to the 2021-22 final budget, there is an increase in the resource allocation of £12.971m to £58.1m. The total capital allocation for 2021-22 is £95.948m, which is a reduction of £84.526m compared with the 2020-21 final budget.

Economy	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Revenue	43,120	56,091	12,971	30%
Non Cash	2,309	2,309	0	0
Total Resource	45,429	58,400	12,971	29%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital	107,514	86,336	95,336	9,000	10%
FT Funding	72,960	0	612	612	100%
TOTAL	180,474	86,336	95,948	9,612	11%

The detailed breakdown of Actions by BEL activity is explained in the following sections.

5.1 Inclusive Growth and Future Proofing the Welsh Economy Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Business & Regional Economic Development	6,798	6,648	(150)	(2%)
Entrepreneurship	5,639	5,639	0	0%
Social Enterprise and Economy	730	730	0	0%
Business Wales	5,577	10,747	5,170	93%
Tech Valleys	2,250	2,250	0	0%
Valleys Task Force	100	100	0	0%
Centre for Digital Public Services	0	4,900	4,900	100%
Export, Trade and Inward Investment	4,437	4,692	255	6%
Total Revenue	25,531	35,706	10,175	40%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
Business & Regional Economic Development	41,678	40,000	40,000	0	0%
Tech Valleys	7,750	7,750	7,750	0	0%
Valleys Task Force	19,500	0	9,000	9,000	100%
Sub Total	68,928	47,750	56,750	9,000	19%
FT					
Business & Regional Economic Development	2,560	0	612	612	100%
Sub Total	2,560	0	612	612	100%
TOTAL	71,488	47,750	57,362	9,612	20%

Overall the change of £10.175m reflects additional allocations for the new export plan £1.6m, the centre for digital £4.9m and foundational / town centre initiatives £6m off set by non-recurrent EU transition funding for the Brexit Resilience Fund of £2.325m.

The Business and Regional Development revenue budget of £6.648m budget supports partnerships, engagement and initiatives to progress the ambitions in EAP and employability for inclusive growth and building the economy for long term sustainability. The change in budget of £0.150m is for non-recurrent EU transition funding. In 2021-22 the Economy Futures Fund of £40.612m is available to support businesses. This includes an additional FT capital allocation of £5m for the SME Repayable Fund offset by FT capital repayments of £4.388m (net £0.612m).

The Entrepreneurship, Business Wales and Social Enterprise budgets totalling £17.116m supports youth entrepreneurship, start-ups, micro-businesses, SMEs, disability champions, social enterprise and responsible business practices. The services support those with hidden barriers and targeted support will continue to be delivered to support such as female and youth entrepreneurs and BAME groups.

In 2021-22 additional funding of £3m has been prioritised for recovery in the foundational economy enabling jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retail. A further £3m will target town centre initiatives aligning the Transforming Towns policy direction to create employment opportunities and safeguard jobs at strategic towns across Wales. The additional allocation of £6m for Business Wales is offset by non- recurrent of £0.830m for the EU Brexit Resilience Fund. Further detail is included in sections 6.4 and 6.5.

The export, trade and investment budget of £4.692m enables the *Priorities for Reconstruction* to protect and build the resilience of the Welsh economy in the face of COVID-19 and the end of EU transition. Additional funding of £1.6m to deliver the new Export Plan is offset by £1.345m non-recurrent for the Brexit Resilience Fund (net £0.255).

Tech Valleys is a £100m commitment over 10 years to create 1,500 sustainable jobs focused on Blaenau Gwent and hinterland by capitalising on opportunities arising from the fourth industrial revolution, encouraging the adoption of digital technologies and developing high value advanced technologies that support cutting edge industries. The [National Digital Exploitation Centre](#) revenue funding of £2.250m delivers the Tech Valleys revenue programme. Further detail is included at 6.12. The capital budget is available to support infrastructure development such as Lime Avenue Employment Park

[Our Valleys Our Future](#) was supported with £32m capital funding for financial years 2019-20 and 2020-21, including £7m for the Valleys Regional Parks. This initiative is extended to 2021-22 with an allocation of £9m as a result of slippage in activity associated with Covid-19 in 2020-21. The reallocation of delayed spend in 2021-22 will aid the completion of the programme. Further detail is included at 6.13.

The additional allocation of £4.9m for the Centre for Digital Public Services Wales will enable people to work or study from home providing a more level playing field for all employees. The Centre is key in delivering the Digital Strategy for Wales to meet training needs, good practice sharing and expert help for service transformation.

5.2 Development Bank of Wales Action

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
FT					
Business Finance Funds	47,000	0	0	0	0%
TOTAL	47,000	0	0	0	0%

The Development Bank of Wales (DBW) improves SMEs ability to access finance and supports the creation and safeguarding of jobs with designated Funds which aim to unlock potential in the economy of Wales by increasing the provision of sustainable, effective finance in the market. Long term future planning for funding to DBW is currently being undertaken, including its key role in Welsh Government responses to the current pandemic. Funding for designated funds in 2020-21 is non-recurrent.

Further information on the Development Bank is included in section 6.6.

5.3 Economic Infrastructure Development Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Revenue				
Public Sector Broadband Aggregation	8,704	11,500	2,796	0%
Strategic Infrastructure Development	990	990	0	0%
ICT Infrastructure Operations	1,527	1,527	0	0%
Property Infrastructure	4,026	4,026	0	0%
Sub Total	15,247	18,043	2,796	0%
Non Cash				
ICT Infrastructure Operations - Non Cash	2,309	2,309	0	0%
Sub Total	2,309	2,309	0	0%
Total Revenue	17,556	20,352	2,796	0%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021- 22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
ICT Infrastructure Operations	26,000	26,000	26,000	0	0%
Strategic Infrastructure Development	4,200	4,200	4,200	0	0%
Property Infrastructure	8,386	8,386	8,386	0	0%
Sub Total	38,586	38,586	38,586	0	0%
FT					
Property Infrastructure	23,400	0	0	0	0%
Sub Total	23,400	0	0	0	0%
TOTAL	61,986	38,586	38,586	0	0%

The ICT Infrastructure budget supports the ambitions in the Economic Action Plan for a modern and connected infrastructure by providing funding to improve access to fast and reliable broadband to properties in Wales that are not currently enabled. The main areas of funding supporting this are:

- **Next Generation Access Broadband Wales** – a project to connect 39,000 premises to enable access a future proofed fibre to the premises solution enabling gigabit broadband speeds to be achieved
- **Local Broadband Fund** – a grant scheme aimed at local authorities and social enterprises to help local communities get access to fast broadband.
- **Access Broadband Cymru** – a 'last resort' grant scheme helping properties get connected with is technology agnostic
- **Local Full Fibre Network Project on Trunk Roads** - upgrade and extension scheme to fibre optic communications backbone network on trunk roads in South Wales.

The Public Sector Broadband Aggregation budget of £11.5m provides funding for a shared services digital platform delivery network that provides connectivity and digital services to the public sector in Wales. The network serves over 120 public sector organisations with approximately 5,000 connections. The additional allocation of £2.796m supports this collaboration.

The strategic development infrastructure funding of £0.990m enables commercially-focussed, innovative mechanisms which facilitate access to finance from the private sector and other partners to deliver priority investment across the portfolio for economic and transport Infrastructure. Projects include the promotion of an Integrated Travel Hub in Cardiff, upgrading Wrexham General Station the future of bus service provision in the Cardiff City Region.

The Property Infrastructure net budget £4.026m supports a balanced portfolio of modern sites and buildings that meet sustainability requirements for our future generations and are capable of meeting companies' timescales for occupation. The EAP reinforces the importance of ensuring adequate supply of employment sites and premises to secure competitive advantage in attracting businesses to Wales. The Plan

aims to deliver 900,000 sq ft of modern business premises over a rolling three year programme, reflecting regional priorities across Wales. In 2020-21 there was a non-recurrent allocation of £23.4m for the property portfolio of £5m and Tirion Homes of £18.4m to enable delivery of three residential schemes at Ely Mill, Cardiff; Whiteheads, Newport and Parc Eirin, Tonyrefail.

5.4 Corporate Programmes Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Strategic Policy Development	450	450	0	0%
Healthy Working Wales	831	831	0	0%
Corporate Programmes & Services	861	861	0	0%
Strategic Business Events and Communications	200	200	0	0%
Total Revenue	2,342	2,342	0	0%

The Healthy Working Wales budget of £0.831m delivers workplace initiatives supporting the healthy and active ambitions set out in *Prosperity for All*. The funding includes £0.052m for the employer strand of Phase Three of the Mind Cymru Time to Change Wales programme, which challenges negative attitudes and behaviours in the workplace towards mental health problems.

The remaining revenue budget supports economic analysis, reviews and strategic engagement.

6.0 ECONOMY – KEY POLICIES

Additional information has been provided in response to the specific areas highlighted by the Committee as follows:

6.1 Economic Action Plan (inc Brexit and Pandemic Considerations)

COVID-19 has impacted the economy and labour market at an unprecedented scale, has brought significant disruption, leading to sharp falls in the number of people employed, the number of hours they work and the number of job vacancies on offer. On top of this the EU transition period will end on 31 December 2020. From 1 January 2021, the UK will have left the EU Single Market and we will no longer have access to the frictionless trade in goods or services with EU member states. The impacts are very significant for manufacturing businesses and workers which are a larger part of Wales' economy than elsewhere in the UK. There will be border checks and new administrative requirements – as well as different patterns of immigration and changes to funding mechanisms over time which have benefited business and the wider economy.

Both Covid and EU Exit threaten to reverse the progress we have made in reducing unemployment and economic inactivity in Wales over the last decade, with the

greatest impact on those individuals who experience socio-economic disadvantage, for example disabled people.

A large proportion of our business support offer is delivered using EU funding and the UK Government's guarantee for EU funded programmes (if a No Deal Brexit occurs) only covers funding over a project's lifetime if a successful bid is made before the end of 2020. Uncertainty exists beyond then and we are continuing to press the UK Government to confirm successor funding to replace our European Structural and Investment funds.

As we move forward, our focus turns increasingly towards the UK's post Brexit internal market and future trade agreements. We are actively engaged in work to develop priorities for these negotiations grounded in economic evidence and future policy priorities.

The pathway to Welsh economic recovery builds on the foundations of EAP. This shaped an economic development programme which invests in people and businesses and drives prosperity and reducing inequality across all Wales. We have made early progress in raising the profile and challenges in the Foundational Economy prioritising funding of £3m, but recognise there is more to be done to spread and scale the approach. Other key initiatives are vital in support of the agenda for the economy, including *A Low Carbon Wales, Cymraeg 2050*, the Employability Plan and our Fair Work agenda run through all interventions. The Well-being of Future Generations Act and its wider framework continue to provide a uniquely Welsh way of tackling the long-term challenges that our people and our planet face. It is guiding our approach to reconstruction ensuring a values based recovery. The *Framework for Regional Investment*, based on lessons acquired over 20 years of EU cohesion policy, sets out pathways through which we may optimally use replacement funding from the UK Government regionally.

Our intention is to create a Wales in which enhancing wellness and well-being are our driving purpose, delivering a prosperous, green and equal economic recovery that recognises the utmost importance of investing in people and places.

Valuing deeply the well-being of all Welsh citizens has framed our response to the pandemic and it will be the fundamental principle which frames our economic recovery and reconstruction effort. Specific support to help businesses through, and to recover from, the pandemic has included:

- Our £ multi-million Wales-only Economic Resilience Fund has always been aimed at finding the gaps in the schemes that the UK Government has put in place and then to try to fill them here in Wales.
- Following the principles of providing enhanced support, [an additional £140m business support](#) announced to help them deal with the economic challenges of Covid-19 and the UK's impending exit from the EU transition period. Funding was further expanded to support businesses through the recent firebreak period and pre-Christmas restrictions.
- The principles of the Economic Contract sit at the heart of our Economic Resilience Fund, and our resolute commitment to driving investment with a social purpose has seen an increase in commitment from businesses to the

principles of the Contract –with over 4,000 now committing to the principles, up from 385 pre Covid-19.

- In particular we want to have a focus on helping businesses, particularly those in the low carbon economy, to safeguard and create good quality jobs, rooted in local communities. We will work in social partnership with trade unions and employers to put a stronger emphasis on our economic contract – a ‘something for something’ approach which puts social justice at its heart.
- It is recognised that this is a difficult time for businesses and the high demand for the Business Development Grants totalling £100m made available as part of the third phase of our Economic Resilience Fund only serves to reinforce this. While it has been necessary to close the application process for these grants due to the high volume of applications received, the Minister for Finance and Trefnydd has set aside funding for a fourth phase of the Economic Resilience Fund to support business and employees. We are currently developing a mechanism for businesses to express an interest in that fund in the coming weeks and we will keep everyone updated through the Business Wales site.

6.2 Regional Economic Development

Three regional teams were created in 2019 and in collaboration with regional stakeholders, they are developing the Regional Economic Frameworks (REFs) to help facilitate collaborative delivery and set out a shared set of economic priorities across the public, private and third sectors. It is intended that the REFs will be co-designed and co-delivered with the regional partners and which are able to inform the development and work of the proposed Corporate Joint Committees.

Mid & South West Region

Strong partnerships with local authorities, business leaders, the third sector, academia and other public bodies have facilitated co-design and deliver regional economic frameworks for Mid Wales and the Swansea Bay City Region.

Business facing teams have been reorganised along regional footprints for greater collaboration and to align activity for economic growth to build resilient business communities. As the joint collaboration on regional frameworks develops, we will take full advantage of the opportunity to align activity, resources and where possible joint working such as we are doing with Powys CC on the collocation of resources. The growth and city deal development are at the core of that collaborative approach.

South East Region

The Regional team is jointly producing a framework document with the Cardiff Capital Region whilst being mindful of the implications of Corporate Joint Committees on economic delivery and the lack of clarity around the UK Shared Prosperity fund. This document will outline delivery of our shared ambitions for South East Wales. In addition, agreement secured with the North Wales Economic Ambition Board and regional partners for the co-design and co-develop of a place-Based, joint regional economic recovery plan and subsequent regional economic framework.

North Wales

In response to Covid-19 pandemic the co-design of a Regional Economic Framework focuses on four stimulus packages spanning the short to long term:

- **Rapid Response** - collaborative activity between LAs and WG (including a task force approach) to ensure appropriate and joined up support for businesses, including skills and employment.
- **North Wales Growth Deal**– led by the North Wales Economic Ambition Board (EAB), work is progressing to timescale, with a realistic prospect of agreeing the full deal agreement by the end of 2020.
- **Regional Recovery Planning** – the focus of the regional economy recovery group is to define, based on local and regional evidence of the impacts of COVID-19, priorities to inform national support packages in tandem with specific regional needs.
- **Regional Economic Framework** – jointly refreshing the existing North Wales Growth Vision, co-design and co-develop a REF.

6.3 Economy Futures Fund & Other Business Support

The Economy Futures Fund (EFF) consolidated the following funds:

- Capital Investment and Aid for Job Creation
- Creative Production Funding
- SMART Cymru
- Tourism Investment Support Scheme (TISS)
- Environmental Protection Scheme
- Repayable Fund for SMEs

To note that the funding for Creative production funding and TISS is included in the Mental Health, Wellbeing and the Welsh Language MEG. Funding such as Property Development Grants are under consideration for consolidation in the future.

Since its launch in 2018 and up until the end of November 2020, 326 proposals totalling £76.7m have been accepted under the EFF.

Within the portfolio there are complementary programmes such as the Flexible Skills Programme which is tailored to support businesses across Wales and is designed to underpin both business and economic development. It supports business development projects and inward investment projects for high level employment opportunities and developmental career paths for employees in areas such as Advanced Engineering and Manufacturing Skills and the Compound Semi-conductor Cluster.

6.4 Foundational Economy Plans

During the period of the pandemic, the Foundational Economy demonstrated the pivotal role it has in supporting local resilience to external impacts. As a priority for the recovery, it provides the jobs at the heart of local communities across sectors such as care and health services; food; housing; energy; tourism; construction and retailers on the high street accounting for four jobs in every ten and £1 in every £3 spent.

In 2021- 22 additional funding of £3m will be used fund projects that will deliver rapid results across our priorities for the Foundational Economy including health, social care, construction and procurement. For instance, scaling projects that will tackle recruitment and retention issues within social care, enabling the social care workforce to enjoy better employment conditions and better pay; developing a community care collaborative GP service management model which has delivered clear improvements in patient experience and wellbeing, and has significantly reduced urgent referrals; community hub projects to help revitalise the high street and projects that have helped to maximise the social value of procurement with the aim of increasing the number of grounded firms, rooted in local communities.

This funding will complement a further £3m to regenerate town centres to create and safeguard jobs. Digital developments, packages of support and assessment of town centre spaces will be integral to the policy development.

6.5 The Foundational Economy Challenge Fund

The 52 Challenge Fund projects announced in November 2019 with a launch event the following month to bring all of the projects together, before initiation of their delivery plans.

COVID has impacted delivery of a significant number of the projects and many have had to adapt their approach to undertake activity via digital platforms. The Community of Practice was also delayed and was established in July. In advance of this, officials supported collaboration and sharing of experience by bringing together similar themed projects in areas such as procurement, social care, retail and skills development.

Despite the adverse impact created by COVID, positive outcomes are now being delivered, including for example:

- A social enterprise has been established in Rhondda Cynon Taf to provide tendering capacity for micro and small businesses who wish to bid for social care work – 60 local businesses are benefitting from this service;
- An open, digital platform has engaged 1,600 SMEs, leading to almost 1,800 ideas for tackling Foundational Economy challenges to SMEs. In addition, Life Sciences Hub Wales has confirmed that over £6.5m of products have been procured by the NHS from suppliers engaged on this platform. This is delivering approximately £34m of GVA to Wales;
- A social enterprise providing document scanning services has secured a number of new public contracts. This has developed their turnover to a level which is greater than at this time last year; and
- 75 young people have been supported to gain work experience as part of a shared, construction apprenticeship programme and the scope of this work has been extended so that over 120 young people will have benefitted from the project when it completes.

Our focus for the remainder of 2020-21 will be to share good practice emerging from the projects to enable replication across Wales.

6.6 The Development Bank of Wales (DBW)

The Development Bank of Wales (DBW) is a cornerstone organisation for investment and business support. Given its increased scale and breadth of expertise, with over £500 million under management to support Welsh enterprises, it is well placed to meet the challenges and opportunities that the economy faces, and make Wales more prosperous and secure. During 2020-21, the DBW has played a key role in responding to the Covid-19 crisis, operating the Covid-19 Wales Business Loan Scheme which has assisted over 1,300 businesses Wales and deployed £92 million. This will continue as part of the Covid-19 Restructure and Recovery Plan for 2021-22. It is continuously reviewing market conditions and the Welsh Government will continue to work with it to explore products and support, which will deliver maximum benefits to businesses in Wales against a context of wider UK Government Covid-19 support.

In 2019-20, the DBW achieved the following:

- made a record 457 investments totalling £103.3 million
- leveraged in £76m additional investment from banks and other private-sector funders
- £179m growth capital injected into the Welsh economy
- 3,964 jobs created or safeguarded in Wales
- a balanced spread of investment across Wales with £38.7m invested in South Wales, £34.3m in mid and West Wales and £30.4m in North Wales.

Since inception in 2001 through to the end of 2019-20 (figures as of 31 March 2020), Finance Wales / DBW has achieved:

- £0.7bn direct investment into Welsh businesses
- £0.9bn private sector leverage
- £1.6bn invested in total into the Welsh economy
- 56,629 jobs safeguarded or created

Also in 2020-21, Welsh Ministers have enhanced the Wales Flexible Investment Fund to support businesses overcome any liquidity difficulties arising from the end of the EU Transition Period from 1 January 2021, by agreeing to :-

- Increase the size of the Fund to £167m.
- Implement new flexibilities offered to businesses, including increasing maximum loan amounts from £5 million up to £10 million; and extending loan terms from 10 up to 15 years.
- This more patient capital will assist cash flow to some businesses who need to restructure their debt and reduce ongoing debt servicing costs.

More information is available at the [DBW website](#).

6.7 The Community Bank/support for Banc Cambria

The Community Bank policy is currently in development. The policy objectives are to:

- establish a Community Bank of Wales to be owned by its members, on a one-member one-vote basis.
- offer current accounts to all local residents, regardless of income or wealth, tackling the poverty premium.
- locate the Bank headquarters, as well as its branches, in Wales. It will become an anchor Welsh institution, here today, and here for the long term.
- offer face-to-face banking to local customers and small businesses. Loan decisions will be made by skilled and experienced staff, not a computer-driven form
- be a living wage employer, with a fixed maximum ratio between the highest and lowest paid workers.
- operate before the end of this Assembly term, spreading to the whole of Wales after the next Assembly election.

Since 2019-20 Cambria Cydfuddiannol Limited (CCL) has been awarded two seed funding grants totalling £0.165m. The updated proposal is expected shortly.

6.8 Enterprise Zones, Local Growth Zones and Business Improvement Districts

The eight Enterprise Zones located across Wales are catalysts for regional development and strengthen the competitiveness of the Welsh economy. Each zone is responsive to local economies and focusses on longer term opportunities associated with creating sustainable job opportunities.

Revenue funding of £0.77m is provided in 2021-22 for the Enterprise Zones programme. This includes funding to support the activities outlined in the strategic plans produced for each of the Enterprise Zones, including feasibility studies and business case development, as well as small revenue project funding to deliver a range of projects associated with each Zone. There is no designated capital allocation to the programme itself, as any initiatives are embedded in delivery utilising Business Development and Strategic Infrastructure Development budgets.

An update of progress against key projects across the Enterprise Zones is published and a further report is being compiled at present.

6.9 Export and Inward Investment Support

The *International Strategy* and the *EAP* reinforces the commitments to grow the Welsh economy by increasing exports and attracting inward investment. In recent years, positive export performance has made a significant contribution to the economy, with the value of Welsh goods exports worth £17.8bn in 2019; whilst in 2018, exports of goods were equivalent to 23% of Wales' GDP. Similarly, success in attracting foreign direct investment in the last five years resulted in 352 projects, creating and safeguarding over 30,000 jobs as a result of overseas investment in Wales. During this time, at least £3.7bn has been invested in Wales by foreign owned companies, of which there are now around 1,345 foreign owned companies based in Wales, employing more than 169,000 people. Despite this, the impact on the global economy due to COVID-19 alongside uncertainties on future trading relationship with the EU has significantly impacted both exports and inward investment.

The latest provisional HMRC figures for the Year to Q3, 2020 show that the value of Welsh goods exports fell 19.7%, compared to the previous year. Whilst all UK

nations experienced a fall in goods trade, Welsh exports saw the largest fall in exports of any UK region. This crisis, together with the ongoing preparation of businesses for future trading with the European Union (our largest export market) following the end of the transition period, provides a 'perfect storm' for exporters in Wales. Exports, however, are key to economic growth and recovery given we know that they boost economic growth by contributing directly to GDP; businesses which report goods exports are around 20% more productive than businesses which do not trade internationally; and, improvements in productivity support sustainable economic growth within business and the wider economy. Exports are also vital for a resilient economy, helping to offset domestic market downturn. An additional £1.6m has been allocated to support the delivery of the new Export Action Plan, published on 15 December (at: [Export Plan](#)).

For inward investment, global organisations (including UNCTAD and OECD) are predicting a highly significant impact on global investment flows with drops of between 40% and 50% expected in year, with impact likely on subsequent years as well. This is already at a time when investment into the UK has fallen since the 2016 decision to leave the EU. Continuing to attract investments will contribute significantly to the economy given knowledge transfer, leading innovation, skills development and supply chain benefit leading to greater levels of resilience as we enter a recovery period. Our approach to promoting Wales as a destination for inward investment has refocused towards opportunity-led investment and on those segments of the economy where Wales can demonstrate international class capabilities including compound semiconductors, fintech, cyber security, marine energy and specific aspects of life science such as regenerative medicine, neuroscience and medtech. As part of this, an extensive engagement programme is being delivered with our own overseas offices, wider networks (including Department for International Trade (DIT)), critical industry clusters and stakeholders to educate and raise the profile of investment opportunities in Wales.

6.10 Support for key industry clusters such as aerospace, automotive, steel and emerging technologies

Applications are considered under the terms and conditions of EFF and evaluated on a VFM basis. There is no industry specific funding. An update is provided in the context and contribution to the pandemic.

Aerospace

Due to COVID-19, there has been a 66% drop in Revenue Passenger Kilometres due to health concerns and government restrictions. The knock on effect has caused severe disruptions through the value chain, impacting on airlines, manufacturers and their supply chains, and aftermarket. It has also had huge consequences on the tourism industry. Forecasts suggest it will take as long as 2025 to return to pre-COVID levels of production.

Automotive

At Q3 2020, UK car production dropped -35.9% behind 2019 levels, with 632,824 vehicles built. The latest independent outlook forecasts the UK to make fewer than 885,000 cars this year – the first time volumes will have dipped below one million since 2009.

Automotive in Wales has unfortunately been disproportionately (compared with other UK regions) affected by the challenges within the sector since 2018 – cooling off in global demand, Brexit shutdowns, diesel-gate, consumer confidence in terms of switching from conventional powertrains to low carbon emission propulsion as well as COVID. The Welsh Automotive Forum estimate that, a minimum of 4,110 well paid and highly skilled workers have been / will be lost from this strategically important manufacturing sub-sector. It is a key partner working with the UK Government and UK industry representative bodies to support the sector, particularly harnessing the opportunities of electrification.

Steel

The steel sector is still experiencing a drop in activity as a result of the pandemic, as a consequence of automotive decline. Construction has remained relatively strong despite a reduction in construction across Europe. We are embedding the UK Steel Charter to maximise benefits. The Welsh Government was the first signatory to the UK Steel Charter, which complements our earlier Procurement Advice Note by encouraging projects in Wales to source and benefit from high quality British steel wherever possible. In addition to compliance with Public Contract Regulations, we have implemented an additional mandatory legal position in our tender pre-qualification questionnaire that 'No Dumped Steel' is used on any contract awarded by public sector bodies in Wales.

Decarbonisation is a key challenge. WG is working with the UK Government through the Industrial Energy Transformation Fund, the South Wales Industrial cluster and the North Wales Economic Ambition Board to consider regional industrial decarbonisation approaches.

Construction

In 2018, the construction sector in Wales accounts for 7% of workforce jobs in Wales and responsible for 6% of GVA. It employs over 100,000 people across Wales, with most of these in SMEs or micro-businesses. It is also a major provider of apprenticeships.

An ongoing Ministerial Construction Forum was established in the spring of 2020 and has provided a platform for industry stakeholders and Welsh Government to address, support and deliver a post Covid Recovery Plan for the sector. The Forum will bring both sectors together to improve performance under the leadership of a Welsh Government minister. The Forum does not replace or replicate the work of any existing groups, programmes or Ministerial meetings.

PPE Localisation (Supply Chain Resilience)

As a consequence of Covid and the resulting positive support offered by Industry, it is recognised that the supply chain, particularly in the NHS, is vulnerable. The Critical Equipment Requirement Engineering group, led by Industry Wales have been instrumental in co-ordinating activity to secure local supply of a number of critical PPE items.

Emerging Technologies

Within the “Tech” space Wales needs to keep pace with developments across the UK and Europe there are several examples of projects being developed to support this aspiration, for example Cybersecurity Cardiff University are leading a consortium to develop a Cyber Innovation Hub. Project proposals falling within the ‘digital’ and ‘emerging technology’ themes are now offered for endorsement and support to the recently formed Digital Economy Board.

Industry Wales

Industry Wales (IW) acted as a key partner in the pandemic by identifying alternative, local, sources for NHS required items which were in short supply, such as PPE, ventilators and oximeters. We worked closely with the health boards, industry, academia, medical teams, life science hub, suppliers and health regulatory bodies to develop alternative options for the re-shoring of PPE manufacture and the development of Continuous Positive Air Pressure ventilator units. In parallel with this the forums worked closely with their respective industries to understand the impact of the pandemic on their sector, support their needs and provide WG with timely marketplace intelligence and with the development of the Manufacturing Action Plan.

Prof. Keith Ridgway was appointed as the interim Chair of Industry Wales in September 2020.

6.11 Welcome to Wales – Priorities for the Visitor Economy 2020-2025

The strategy aims to ‘grow tourism for the good of Wales’ through an ambition to deliver economic growth and benefits to people and places including environmental sustainability, social and cultural enrichment and health benefits. The tourism and hospitality sector is key to the foundational economy, representing 6% of GVA: this has grown strongly in recent years. The sector employs more than 130,000 people, contributing to 10% or more employment in many local authority areas. The sector is exceptionally hard-hit by the Covid-19 pandemic but has the potential to recover in new, more sustainable ways in future.

The budget decisions for tourism are a matter for the Deputy Minister for Culture, Sport and Tourism.

6.12 City and Growth Deals

The UK Government financing for each Deal is being managed within the Local Government and Public Services MEG and is the responsibility of the Minister for Housing and Local Government.

Growth Deals in the Development Stage

Cardiff Capital Region

The Cardiff City Deal funding is £1.2bn over 20 years. Of this, funding is ring-fenced for contribution to the delivery of the £734m South East Wales Metro project, and will be managed by Welsh Government. This includes Welsh Government (£500m), UK Government (£100m) and European funding (£134m), related to the

electrification of the Valley Lines and Welsh Government funding for the wider delivery of Metro Phase 2.

The balance of funding for the Cardiff City Region of £495m is made up of £375m Treasury funding and £120m local authority contribution. This provides the finance for an Investment Fund under the control of the region to support interventions across five themes (transport infrastructure, innovation and digital infrastructure, skills, business support and housing & regeneration).

The £375m of funding to be provided by HM Treasury over 20 years is profiled;

- 2016-17 to 2020-21 £10m revenue funding per year
- 2021-22 to 2030-31 £22m capital funding per year
- 2031-32 to 2035-36 £21m capital funding per year

Cardiff City Deal has recently reported £144m of investment has been committed to date, with a further £144m investment at an advanced stage of the appraisal process. The Deal is currently subject to the first five year gateway review, and is a point at which Government funding could be withdrawn. The outcome of the review will be known by March

Swansea Bay City Region City Deal

Over the next 15 years the £1.2bn Swansea Bay Region City Deal aims to boost the local economy by £1.8bn and generate almost 10,000 new jobs. The Deal will be underpinned by £125.4m Welsh Government funding, £115.6m of UK Government funding, and an estimated £591.79m of other public sector money and £330.2m from the private sector. Ministers have so far released £18m of City Deal programme funding, with a further £18 million being made available for other projects within the Deal, subject to the region meeting the first phase terms and conditions.

Three projects have been approved Yr Egin, Digital District and Pembroke Dock Marine and good progress continues to be made on the Swansea Bay City Deal with 6 further projects in development with business cases at varying degrees of maturity. The Actica Independent Review recommendations and terms and conditions for the first phase is currently being prepared for Ministers. The region also completed an impact analysis on the City Deal Programme resulting from Covid-19.

We remain committed to delivering a successful Swansea Bay City Deal and to working closely and constructively with the UK Government and the region in this regard.

North Wales Growth Deal

The North Wales Growth Deal is an important component of future regional recovery so that we can see investment start to flow into the region in 2021. It offers the opportunity for £1bn investment including the £120m provided from both Welsh and UK Governments.

Good progress is being made on the Final Deal agreement and a final sign off along with the UK Government is expected during December this year.

The economy has changed in light of COVID. Whilst the region's key strengths in areas such as low carbon, advanced manufacturing and tourism remain, the phasing of deal programmes and projects may need to change.

The challenge is to exploit the synergies between the programmes to maximise the return on every pound invested.

Mid Wales Growth Deal

Government Ministers formally responded to the Strategic Economic Plan and Growth Deal Roadmap in the summer, providing reassurance of their commitment to the Deal in mid Wales. It sets the Growth Deal in the context of broader regional economic strategy for Mid Wales, recognising that the Growth Deal is a catalyst for growth. Heads of Terms are likely to be agreed shortly, setting out the commitment by both Governments to work together with the regional partners to progress the Growth Deal for mid Wales. The Final Deal Agreement is likely to be concluded in 2021. Governments will need to be assured on three fronts, namely that appropriate governance and assurance is in place, a portfolio business case is developed setting out what the region intends to deliver and the outcomes to be achieved as a result of intervention, as well as a comprehensive engagement and communications plan.

6.13 The Valleys Taskforce & Tech Valleys Initiatives

[Our Valleys Our Future](#) is a manifesto commitment assist the communities in the South Wales Valleys become more prosperous and resilient through different initiatives covering housing, education, health and wellbeing, heritage, transport, foundational economy and entrepreneurship. We know that there is a high level of deprivation and poverty in these areas, and the pandemic has only exacerbated this situation.

The Valleys Taskforce Programme is due to end in March 2021. However, due to the impacts of Covid-19 on some of the flagship capital schemes, spend will not be achieved to deliver all approved applications for the Empty Homes Grant Scheme. The allocation of £9m in 2021-22 ensure that hundreds of homes are brought back into use across the South Wales Valleys. The Scheme gives individuals and families opportunities to restore their own property, increase its energy efficiency thus contributing to the overall carbon targets and also because of our encouragement to use local small firms to do the restoration work, it is also helping the local foundational economy.

The Access Programme has been supporting individuals in the Valleys Taskforce Area for 3 years as a pilot. Welsh Government has taken the lessons learnt in line with the refreshed focus of the Valleys Task Force and is now able to expand the offer under the well-established ReAct brand and make it available across Wales at such a crucial time for the economy. No one will be disadvantaged by the change, in fact it enhances ReAct as a key Employability Programme.

Currently within the Tech Valleys initiative there a small number of significant infrastructure projects are in various stages of development, including projects on the Lime Avenue Employment park and on the Rassau Industrial Estate.

6.14 Support for Automation and Artificial Intelligence (AI)

The EAP recognises that more businesses and public service bodies are increasingly utilising digital technologies in their service delivery but that the pace of that change needs to quicken. Automation and digitalisation are amongst the key enablers that drive competitiveness and productivity and we are working with businesses to drive up and support their investment in such activity through the R&D, Automation and Digitalisation Call to Action.

Since its launch in May 2018, through the Economy Futures Fund we have supported 159 projects with a value of over £18.3m via the R&D, automation and digitalisation Call to Action.

Digital transformation will play an integral part in how Wales recovers and reconstructs its economy. We are therefore keen to embed digitisation in all programmes and delivery areas. From a work-based learning perspective, we continue to expand our offer to incorporate new digital roles, with Degree Apprenticeships now being seen in a number of digital related fields. We will continue to work with industry to develop further pathways and to provide new opportunities to recruit via the Apprenticeship route. Our Personal Learning Accounts (PLAs) also provide a route for individuals to reskill in new areas; providing the flexible and tailored approach envisaged by Professor Brown Professor Phil Brown's report [Delivering economic transformation for a better future of work](#). PLAs are underpinned by the careers and advice services provided via Working Wales and Careers Wales.

To complement this we also operate a variety of skills support programmes to address employer's immediate needs, such as the Wales' Flexible Skills Programme. Where we have felt a standalone response was required, our Advanced Digital Skills support project together with the recently launched DigiTALent programme have been introduced to provide support for businesses looking to develop their capability and capacity across all areas of the digital spectrum. The DigiTALent programme is a new strand to the Flexible Skills Programme aimed at encouraging employers to recruit an IT/Computer Science/Digital graduate.

In addition to what Welsh Government is able to provide within its budgets, we are continuing to influence the work at a UK level by ensuring future developments in research and innovation complement the strengths of Wales' academia and business communities. This includes the backing required from UK funders to the proposed Data Nation Accelerator (DNA); a joint proposal led by Cardiff, Swansea, Aberystwyth and Bangor Universities to create a seismic shift on Wales' ability to respond to the future challenges of Artificial Intelligence and Data Science.

6.15 Preventative Spending & Well Being of Future Generations Act 2015

Our interventions across the E&T portfolio action primary intervention, building resilience and creating the conditions to prevent future problems. The Economic Action Plan and the Employability Plan are underpinned by the evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. By supporting jobs and sustainable growth and taking action to try to alleviate some of the challenges faced by people when accessing jobs, we aim to reduce the likelihood of families experiencing poverty and avoid the long term costs

that poverty bring to society. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales.

We continue to work with the Future Generations Commissioner and a range of experts to assess how we addressing the Well Being of Future Generations Act. The EAP is cross-collaborative and structured around seven of the twelve well-being objectives:

- Support people and businesses to drive prosperity;
- Tackle regional inequality and promote fair work;
- Drive sustainable growth and combat climate change;
- Build ambition and encourage learning for life;
- Equip everyone with the right skills for a changing world;
- Deliver modern and connected infrastructure; and
- Promote and protect Wales’s place in the world.

It also embeds the five ways of working. The calls to action and the economic contract challenge Government and businesses to look at future investment through the contribution they will make to innovation and entrepreneurship, research and development and automation, exports and trade, high-quality employment and skills, and decarbonisation. These are some of the key strategic challenges we have to address if we are to secure growth not just today, but growth that is futureproofed to maximise opportunities in the long term.

7.0 TRANSPORT FUNDING OF ACTIONS

To support the ambitions for a modern and connected infrastructure total transport funding is £1.23bn in 2021-22. The resource funding of £535.127m includes an increase of £18.6m. This represents specific Covid funding in relation to bus support for the first quarter of 2021-22 to provide a degree of certainty for the sector while restrictions are likely to continue and to help provide confidence to the sector.

The capital allocation is £694.981m supports continued delivery of the current National Transport Finance Plan as well as laying the ground for the successor delivery document which will be set in the context of the new Wales Transport Strategy. It is still necessary however to prioritise activity and manage budgets, to ensure that the delivery of schemes within the National Transport Finance Plan are both affordable and deliverable.

A summary of the transport budget is as shown in the table below:

Transport	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget	Change £'000	Change %
Revenue	327,836	346,436	18,600	6%
Non Cash	188,691	188,691	0	0%
Total Resource	516,527	535,127	18,600	3%

Transport	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital	597,952	397,650	681,827	284,177	71%
FT Funding	12,300	0	13,154	13,154	0%
TOTAL	610,252	397,650	694,981	297,331	75%

The detailed breakdown of Actions by BEL activity is explained in the following sections.

7.1 Motorway & Trunk Road Network Operations & Domestic Routes Actions

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget	Change £'000	Change %
Network Asset Management	5,686	5,686	0	0%
Network Operations	65,298	65,298	0	0%
Sub Total	70,984	70,984	0	0%
Non Cash				
Network Operations	188,691	188,691	0	0%
Total Revenue	259,675	259,675	0	0%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
Network Operations	81,579	82,000	96,497	14,918	18%
TOTAL	81,579	82,000	96,497	14,918	18%

Welsh Ministers have a statutory duty to provide a safe and reliable Motorway and Trunk Road Network against a £17 billion asset. Recognising the importance of both ongoing management and maintenance and improvement, there is an additional capital allocation of £14.918m. Maintenance budgets will be continually monitored to ensure that we are responsive to reactive works and prioritise capital investment where it is most needed. Further detail is included in section 8.7.

In addition to the capital funding provided under this action, funding for significant improvements on the existing network and major road schemes, adding to the network, are provided for in the capital funding under the Road, Rail, Air and Sea Services Investment Action which relate to road infrastructure development and delivery.

7.2 Road, Rail, Air and Sea Services & Investment Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget	Change £'000	Change %
Aviation	5,605	5,605	0	0%
National Transport Infrastructure	650	650	0	0%
Rail Ancillary	850	850	0	0%
Transport for Wales	185,400	185,400	0	0%
Total Revenue	192,505	192,505	0	0%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
Aviation	2,000	2,000	2,000	0	0%
National Transport Infrastructure	149,223	128,100	128,100	0	0%
Transport for Wales	206,299	25,000	274,680	249,680	999%
Sub Total	357,522	155,100	404,780	249,680	19%
FT					
Aviation	4,800	0	3,154	3,154	100%
Sub Total	4,800	0	3,154	3,154	100%
TOTAL	362,322	155,100	407,934	252,834	163%

The Aviation revenue budget of £5.605m includes provisional activities such as the Intra Wales Air Service, consideration of other potential PSO routes and for managing and maintaining St Athan and its airfield. General capital of £2m is available for infrastructure works at Bro Tathan. The profile of drawdown for the loan facility for continued investment in Cardiff International Airport Limited is reflected in the budget – FT capital of £3.154m (2020-21 £4.8m).

The Transport for Wales total budget of £460.080m primarily delivers the Metro and rail projects. More detailed information on the Rail Franchise, South Wales Metro Transformation Programme and other rail projects is included in section 8.3 & 8.4.

The National Transport Infrastructure revenue budget of £0.650m supports planning and feasibility activities for what will become capital projects, with £128.1m available in 2021-22. More detail on existing capital schemes is provided in section 8.7.

7.3 Sustainable Travel Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Bus Support	32,005	50,605	18,600	58%
Smartcards	1,466	1,466	0	0%
Concessionary Fares	23,482	23,482	0	0%
Youth Discounted Travel Scheme	2,000	2,000	0	0%
Sustainable and Active Travel	630	630	0	0%
Total Revenue	59,583	78,183	18,600	31%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
Smartcards	1,000	1,000	1,000	0	0%
Local Transport Priorities	31,150	51,000	51,000	0	0%
Concessionary Fares	36,651	37,000	37,000	0	0%
Sustainable and Active Travel	83,150	64,650	84,650	20,000	31%
Sub Total	151,951	153,650	173,650	20,000	13%
FT					
Sustainable & Active Travel	7,500	0	10,000	10,000	100%
Sub Total	7,500	0	10,000	10,000	100%
TOTAL	159,451	153,650	183,650	30,000	20%

Buses play a central role in connecting people and communities across Wales and provide access to key services. In 2020-21 we allocated up to £140m recognising the impact of social distancing measures and the marked decrease in people travelling by public transport on the bus industry. During this period of ongoing uncertainty an additional £18.6m funding will provide stability to bus operators to continue to run efficient services in the early part of the next financial year. This investment will also fund a review into how bus services operate so that we can both safeguard and subsequently reform the industry to meet the needs of the people of Wales and the continuing challenges posed by COVID-19.

The concessionary fares and youth discounted travel scheme budgets are protected at £62m, recognising the important role of public transport. When taken with the Local Authorities' own contributions to the concessionary fares scheme, the overall funding envelope provided (across both revenue and capital) is considered sufficient to meet Local Authorities' obligations based on the 'no better, no worse' principle and anticipated demand.

The allocation for Active Travel has increased from the £30m to £50m. Further information is provided in section 8.8 below.

To build on the investment for the decarbonisation of our public transport fleet and improve our charging infrastructure an addition FT capital allocation of £10m will take the total investment to £38m in 2021-22. To note that in 2020-21 £29m was allocated – FT capital £7.5m and core capital £21.5m.

7.4 Improve Road Safety Action

BEL	2020-21 Final £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Road Safety	4,764	4,764	0	0%
Total Revenue	4,764	4,764	0	0%

BEL	2020-21 Final Budget £'000	2021-22 Baseline Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Baseline Change %
Traditional Capital					
Road Safety	6,900	6,900	6,900	0	0%
TOTAL	6,900	6,900	6,900	0	0%

The road safety budgets have been maintained at planned levels. The [Road Safety Framework for Wales](#) sets out our safety targets.

Revenue funding supports the engagement and funding of external partners in the public, private and third sectors achieve casualty reduction, using the road safety governance structures The capital budget supports road safety engineering improvements on the trunk and local road networks.

8.0 TRANSPORT - KEY POLICIES

Additional information is provided in response to the specific requests made by the Committee as follows:

8.1 Response to the Coronavirus Pandemic

As a result of Covid-19 and the subsequent lockdown, there was an unprecedentedly sharp and severe drop in bus passenger numbers across public transport services which in turn saw the loss of almost all ticket revenues. Throughout the current year, the Welsh Government will have provided up to circa £200m of additional funding to support public transport services (rail and bus), firstly through maintaining a skeleton network to support essential journeys during the first national lockdown and then to ramp up services to support the re-opening of schools and the wider economy, all needing to be managed under strict social distancing requirements which limited vehicle capacity for passenger numbers. . Public transport services have been reformed to reflect the new commercial realities and maximise the benefits and outcomes from our increased funding.

As well as addressing emergency short term needs, the agreement underpinning the bus emergency scheme (BES) provides an opportunity to establish the beginning of a lasting partnership between operators and public bodies to enable a reshaping of Wales' bus network, supporting the management and interaction across transport modes including smart ticketing, a reference network that meets wider objectives, and coordinated timetabling across modes.

In the Draft Budget £18.6m is allocated to provide additional support for the bus industry giving some financial assurance during the first quarter of 2021-22. However, in order to support critical public transport services, additional funding may be required to compensate for loss of revenues while social distancing remains but this situation will be monitored as 2021-22 progresses. Forecasting this funding requirement is challenging in light of the uncertainty around future restrictions, social distancing requirements, and the public's appetite for returning to public transport.

8.2 Brexit Allocations

Most costs in preparing for the end of the EU Transition Period will fall within the current financial year. However, depending on whether or not a trade deal is reached and the scale and duration of disruption at ports, further costs could be incurred going into the 2021-22 financial year. These are currently being worked through and, where appropriate, these costs will form part of ongoing discussions with UK Government and be part of future budget allocations

We have been working with key stakeholders to put appropriate measures in place to prepare for the consequences of the end of transition, including planning for the potential effects on the transport network resulting from customs checks at Irish sea ports.

We are discussing with UK Government whether additional funding will be made available in recognition of the disproportionate impacts Wales faces at our ports at the end of the transition period. We have already announced that circumstances have required us to operate a contraflow on the A55 from 1 January. Whilst we will keep that intervention under review and seek to minimise both disruption and cost by taking it down once it is no longer needed, we have to prepare for the reasonable worst case assumptions we have. However, it is impossible to fully assess the duration and scale of disruption the end of transition will cause, and we will need to manage any ongoing impacts through 2021 as they emerge.

We have always been clear that our ability to match the levels of infrastructure investment we have seen in Wales within the EU will be contingent on confirmation that the UK Government will keep its commitments not to row back on devolution and for Wales not to be a penny worse off for leaving the EU. In that context, the continued lack of certainty surrounding the Shared Prosperity Fund remains a major concerns, and a major threat to Wales.

8.3 Rail Franchise and the Delivery of the Metros

Overall there is significant investment in rail with an additional £250m provided above the baseline in 2020-21.

Rail Franchise

In the [October announcement](#) due to the impacts of Covid 19, and in order to protect services, jobs, and deliver the Metro, the current rail Franchise of the Wales and Borders Network would transition through managed agreement to public control. The final budget for covering the operating costs of rail services (in light of the ongoing impacts on passenger revenue from Covid 19) has not been set yet. However there is likely to be a significant additional demand on revenue funding but we will monitor the situation as the year progresses. In 2020-21 under the Emergency Management Agreement an additional £153m of revenue funding has been made available in addition to the baseline subsidy of £167m.

From February 2021, the delivery of daily rail services will be the responsibility of a new publicly-owned subsidiary of Transport for Wales, allowing government to have an even greater role in the delivery of rail services in Wales and the borders.

At present the draft budget maintains revenue support for the running and TfW's management of rail operations at £185.4m at pre-pandemic levels. It is recognised however that the running of services and/or the level of subsidy required could be severely impacted depending on how passenger numbers recover over the coming months.

TfW and officials are undertaking an exercise to develop options to secure cost savings measures to try and reduce the baseline operating cost should this revenue pressure materialise. This exercise will be subject to independent review with the outcome of that work available next spring to inform future budget decisions.

Maintaining rail services will benefit those that use public transport to maintain access to jobs, health services, education and leisure. Public Transport is also essential to many key workers employed within these sectors.

North East Wales Metro

Work is progressing with local authorities and stakeholders to deliver the vision for the [Metro in North Wales](#). Budget of £25m is included in the baseline for continued investment in all modes of transport to deliver the modern, high quality integrated transport system fundamental to achieving sustainability and climate change objectives and delivering economic growth across the region, connecting people to jobs and services and businesses to markets. Attached is a link to the most recent statement on North Wales Metro : <https://gov.wales/north-wales-metro-schemes-benefit-over-11-million>

South West Wales Metro

In terms of the rail programme the following interventions are in progress:

- **South Wales Main Line Improvements** – In summary, this is focussed on improving frequency on the SWML, with particular focus on services between Cardiff Swansea and Carmarthen. We are also examining service enhancements to Milford Haven.
- **Local Services & Improvements** – Station enhancements; Parkway proposals and tactical SWML improvements to aid local rail.

- **Swansea Bay Area Metro** – This essentially falls into two strands presently, but there are a greater number of perceived lesser priorities to be tested in the coming years:
 - Swansea District Line – a series of new stations to be established on the Swansea District Line between Pontarddulais, Neath and Swansea High Street to provide a local commuter service for north Swansea; including examination of reopening Landore. Presumed 3 trains per hour.
 - Burry Port to Swansea – Presumed 3 trains per hour between Burry Port and all stations to Swansea High Street Station (including examination of reopening Cockett).

Buses are also integral to the solution. The Bus Network Redesign is progressing in partnership with Local Government initially, but broadening to the Public Transport Operators in the coming months. This exercise will take a first principals approach to network planning for public transport bus. This is ultimately with a view to achieving greater efficiency, faster journey times and high frequencies. The Pembrokeshire Fflecsi Bus Trial is currently operating in North Pembrokeshire as a Demand Responsive Transport service trial.

South East Wales Metros

The South East Wales Core Valley Line Metro Transformation is progressing following the successful transfer of the Core Valley Lines from Network Rail to TfW at the end of March 2020. The first capital works commenced in August 2020 focussing on vegetation clearance and the first stretch of track realignment was successfully delivered in November to allow clearance for electrification equipment to be installed.

In 2021-22 the programme will accelerate with significant capital works being undertaken on the Treherbert, Aberdare, and Merthyr Lines in particular which will require a number of managed blockades of the line.

8.4 Rail Infrastructure Priorities

For 2021-22 the primary focus will be on the implementation and continued development of the various Metro schemes. Notwithstanding this focus we will also be looking to work with and influence UK Government to invest in the broader rail network through Network Rail. This will include promoting station enhancements across the Wales & Border network, new stations and other infrastructure improvements to assist in the smooth and reliable running of services.

8.5 Transport for Wales

Transport for Wales corporate budgets are complex due to the emergent nature of its role including the recent proposals for how rail services are to be delivered in Wales in the future. TfW's full remit and budget for 2021-22 is still to be agreed, but once it is that will then determine the basis of its 2021-22 Final Business Plan.

The draft budget shows specific allocations for Transport for Wales for both revenue and capital. These allocations reflect its 'core' funding for it delivering its primary functions in relation to rail services and rail infrastructure projects, including the

'pass through' payments it makes on Welsh Government's behalf. It also includes provision for those corporate costs that it is unable to reasonably allocate out against specific project/programme activity. The majority of these costs will be allocated out by TfW against specific budget/project lines on an overhead/absorption costing basis.

In addition to this 'core' funding TfW will also receive allocations from other budget lines according to what is eventually included within its remit and the funding that will be made available to it to deliver those activities. For example, TfW is currently playing a significant role in the bus reform programme and it is proposed will take over the management of active travel grant funding to third parties. All of which will need to be reflected in the final remit letter and funding allocation.

In 2020-21 TfW's estimated corporate costs is anticipated to be circa £16m.

Further detail on Transport for Wales may be accessed via its website at <https://trc.cymru/>.

8.6 South Wales Transport Commission

Lord Burns' final report was published on 26 November and set out an ambitious set of proposals for a network of Public Transport and Active Travel measures for the region. The Minister for Economy, Transport and North Wales responded to the [Commission Report](#).

The Commission's proposals are well aligned with the recently published draft of Llwybr Newydd – the new Wales Transport Strategy and could create competitive alternatives to the private car, especially for commuters, and have a profound effect on motorway congestion.

Some of these proposals are within our devolved competence, and some are not. Welsh Government officials are engaging with Network Rail and the DfT on how best to take forward the recommendations for enhancement of the South Wales Main Line and new stations on it. Locally, Welsh Government is engaging with local authorities where the Commission's recommendations require joint working to deliver change within towns and cities that benefits both local residents and strategic road network users.

Where Welsh Government funding is required, additional budget allocations will be necessary, and the recommendations must of course be subject to our Welsh Transport Appraisal Guidance (WelTAG) and demonstrate value for money before investment decisions are made. Officials are now in the process of considering the recommendations to inform next steps.

8.7 Trunk Road and Motorway Network

Network Management

Trunk road highway and motorway assets have depreciated replacement cost of around £17 billion, the largest single asset on the Welsh Government balance sheet, and are continuously inspected, maintained and improved, with £161.795m

allocated in 2021-22. The revenue budget funds an annual routine maintenance and inspection programme that ensures the network's day to day safety while a capital budget funds annual major maintenance programmes to safeguard its long term integrity and small to medium size improvements. Sustainability is a key principle.

The supply chain associated with the operation, maintenance and improvement of the Strategic Road Network supports approximately 800 employees within the construction sector. Whenever possible maintenance programmes are developed on the principle of the "right intervention at the right time" in order to maximise the service life of assets and minimise the frequency and scale of maintenance operations. This reduces the network's carbon footprint, disruption to the road user and provides best value. In recent years the focus has been on extending the serviceability of existing surfacing material using innovative surface treatments and their replacement when necessary with new materials with longer service lives, sourced locally to significantly reduce their carbon impact.

Quieter surfacing materials along with environmentally friendly barriers are also being used to reduce noise for people living next to the network. The Noise and Soundscape Action Plan for Wales 2018-23, identified 200 Candidate Priority Areas exceeding 73db requiring such noise mitigation. Compliance with EU limit levels for NO₂ at sites across the network where there are exceedances is being achieved by the introduction of 50 mph speed limits supported by average speed enforcement infrastructure.

The verges and planted areas adjacent to the network provide valuable habitats for plants and wildlife and are managed sensitively in a way which promotes bio diversity. "Green Corridors" is aimed at enhancing planting along routes acting as gateways into Wales. Native Ash trees are found across the network and dealing with the disease ash dieback, replacing trees with healthy alternative species, will be a major challenge over the next 5 to 10 years at a cost of £50m.

Welsh Transport Guidance (WelTAG) studies on major corridors across the network have identified a pipe line of highly cost effective targeted interventions to address congestion hotspots in North and South Wales and safe overtaking opportunities to improve connectivity and support economic development in Mid Wales.

Construction of the first of the pinch point scheme, at the junction of the A470 with the A55 at Glan Conwy commenced this summer and improvements at M4 J48 Hendy will start this January. Construction of the first overtaking opportunity schemes will commence in 2021-22 along the A470 and A487 corridors. The A55 resilience project has already provided much needed quick wins and short term measures, particularly for safety including the average speed cameras installed at Rhuallt Hill. Further medium and long term measures are currently being developed and will be implemented from late 2020-21 onwards.

The latest review of Speed Limits and network safety was completed at the end of the 2019-20 financial year. Based on the results, a prioritised programme of improvements is being delivered in 2020-21 with the objective of not only improving safety but also reducing community severance and promoting active travel.

Infrastructure Delivery

Delivery continues on a number of other strategically important schemes including:

- A465 Heads of the Valleys road between Gilwern and Brynmawr
- Section 2 is expected to complete construction within 2021-22.
- Section 5&6 – Contract was awarded in October 2020 with pre-start ecological surveys ongoing.
- A487 Caernarfon Bontnewydd - The new bypass is expected to complete in the autumn of 2021.
- A55 Junction 15 & 16 – replacing the roundabouts at the junctions will aid traffic flow on the A55 and improve resilience for this key strategic route. The Draft Orders due to be published by December 2020.
- A55 Abergwyngregyn to Tai'r Meibion - construction has commenced and will continue throughout 2021-22.
- A55/A494 Flintshire Corridor Improvement - The appointment of consultants is planned to be made in spring 2021. The project will then progress to the design development in consultation with stakeholders and a range of environmental surveys and ground investigation will be undertaken. .
- A40 West Wales – public enquires for improvements to the two schemes concluded in 2020-21. Construction is expected to start in 2021-22.
- Dyfi Bridge - Construction can begin immediately following the award of the contract due imminently.

All of these activities are programmed and will be managed within available budgets to deliver the National Transport Finance Plan. All expenditure is subject to inflationary pressures and risk which we manage by including risk and optimism bias and clear assumptions/ forecasting reviews in all projects. In the case of construction projects this is often at key stages of development and delivery. The contracts also include construction inflation indices (includes the cost of materials and labour).

8.8 Delivery of Active Travel Policy

The continuation of the Active Travel Fund beyond its initial three year timescale prioritises enabling short journeys to be made by walking and cycling as carbon emission free modes with huge health benefits. This is in recognition that increasing active travel is an important part of achieving modal shift away from private car use on its own for shorter and medium length journeys and in combination with public transport for longer trips. .

Local authorities will update and revise their active travel network maps in 2021-22, with prioritised scheme lists. The new maps will be the first since the publication of Planning Policy Wales 10 and the draft new Wales Transport Strategy both of which have the sustainable transport hierarchy at their core, with walking and cycling at the top. The new plans will be closely aligned with land use planning and together aim

to create opportunities to reduce the need to travel, travel distances and good conditions for walking and cycling.

Since the introduction of the Active Travel Fund, a substantial share of the funding (£9m of £30m this financial year) has been made available to all local authorities as a core allocation to carry out small scale improvements on their networks without needing to compete for funding and to undertake pre-work on more complex schemes. Over the two years since the fund was introduced this has led to a growing pipeline of ambitious schemes that have now either reached or are approaching readiness for construction. Many of these have the ability to transform many people's travel choices and enable safe walking and cycling trips where these have not been possible before.

The active travel funding for local transport grants is set out in the following table. To note that this funding does not include spending for active travel schemes on trunk roads, or revenue funding:

TABLE 5 - Active Travel Allocations - All LA capital grants 2016-17 to 2020-21					
	2016-17	2017-18	2018-19	2019-20	2020-21
Mid-year population estimate Wales	3,113,150	3,125,165	3,138,631	3,152,879	3,164,215
Active Travel Fund	0	0	£9,031,092	£31,850,943	£28,999,750
Local Transport Fund	£3,985,303	£13,006,475	£11,267,202	£7,303,259	N/A
Safe Roads in Communities	£4,871,388	£6,535,478	£5,048,314	£5,362,121	£4,141,501
Local Sustainable Transport Measures (i.r.t.Covid)					£16,205,917
Total	£8,856,691	£19,541,953	£25,346,608	£44,516,323	£49,347,168
Total per capita	£2.84	£6.25	£8.08	£14.12	£15.60

8.9 Support for Bus and Community Transport Services, Concessionary Fares and Youth Discounted Travel Scheme

Support for bus and community transport services

Local bus services play a huge part in accessing key services and facilities throughout Wales, and our Bus Services Support Grant (BSSG) allocations provide a valuable complementary source of funding to that which local authorities are awarded through the annual RSG settlement. Local authorities are required to confirm the allocations they have made from their RSG awards in support of the bus network in order to help inform my future decisions for support for bus and community transport in Wales. An announcement will be made in due course.

The 2021-22 draft budget includes a provisional £25m in the form of our BSSG scheme allocated to local authorities by a formula agreed with the Association of (local authority) Transport Co-ordinating Officers to help them to support the strategic, core bus networks in their areas. Pleased to have been able to maintain

the amount of BSSG: despite the UK Government's austerity programme and impact of our Covid-19 response on budgets.

Appreciate the difficult decisions that local authorities face as a result of the UK Government's austerity programme. Nevertheless encourage local authorities to protect the indicative awards they receive through RSG to support bus and community transport services in their areas.

Free concessionary bus travel

Our free bus travel scheme for older or disabled persons ensures that pass holders are able to travel to work, friends and relatives, the shops, medical appointments or simply for a day out without worrying about the cost.

Local authorities are legally obliged to reimburse bus operators for those journeys so that those operators are no better and no worse off. The Welsh Government provides substantial funding to enable them to fulfil this obligation.

Since we introduced this key initiative in 2002 it has grown in popularity so that there are around 610,000 live passes today, 120,000 less than 2019-20 following a comprehensive renewal exercise.

The 2021-22 draft budget includes a provisional £60m to help local authorities to reimburse bus operators for carrying older or disabled pass holders for free, including administration cost, based on historical journeys. With less journeys this year an element of the budget was repurposed to the bus emergency scheme. This is likely to be the case next financial year but forecasting this change is challenging.

The provisional budget for 2021-22 will be allocated to local authorities in response to data collected showing the number of free journeys actually undertaken and the associated administrative costs. To note that an additional £18.6m has been allocated to the industry for 2021-22 to support Covid impacts.

MyTravelPass

The 2021-22 draft budget for MyTravelPass (MTP) includes a provisional £2m to compensate bus operators for carrying 16 to 21 year olds at a third discount and the associated administrative costs for operating the scheme. There are approximately 32,000 active MTP passes currently in circulation at end of October 2020.

The Welsh Government continues to support the MTP scheme as it not only provides young people with discounted bus travel, but also encourages young people to try the bus for more of their journeys – hopefully meaning that they will continue to use buses for more of their journeys in the future.

We are reviewing the potential for extending the MTP scheme to other groups but it must be remembered that this remains a voluntary scheme in the absence of legislation that would allow bus companies to be compelled to participate. It is also the case that any decisions involving additional public funding remain challenging due to increasing costs elsewhere across public transport service delivery.

8.10 Local Transport Priorities

The local transport priorities budget line makes available funding to local authorities for local transport schemes that support the economy, improve road safety and enable and improve sustainable and active travel. We continue to work in partnership with local authorities and other key organisations to ensure the key priorities are met and to identify other suitable sources of finance that will aid in delivery.

This Draft Budget includes £51m for Local Transport Priorities (including the Local Transport Fund) This will allow Local Authorities to apply for funding for schemes that encourage sustainable transport and ease congestion, particularly on public transport routes.

8.11 Wales Transport Strategy

The last Wales Transport Strategy ([One Wales Connecting the Nation 2008](#)) was published in 2008 and during the past decade much has changed including the devolution of more powers to the Welsh Assembly; publication of overlapping legislation while further changes are anticipated arising through delivery of Prosperity for All, from Local Government reforms; post-Brexit funding and relationships; the Wales and Border rail franchise and; the devolution of further transport related responsibilities.

It is against this background that the Welsh Government has published for public consultation a draft new Wales Transport Strategy which recognises these recent changes and looks to address future opportunities and challenges. Two key challenges the Strategy addresses are responding to the climate change emergency and how we recover the transport system from the impact of COVID-19.

The draft Strategy embeds Sustainable Transport and recognise that Ultra Low Emission Vehicles also have an important role to play in the decarbonisation of transport, particularly in rural areas with limited public transport services. The Strategy will be delivered via a new five year National Transport Delivery Plan and Local/Regional Transport Plans.

We will prioritise funding to support the policy framework within the strategy and we will develop modal targets to achieve a reduction in carbon footprint. This will require significant additional funding, on top of existing levels. To deliver an ambitious modal shift of 5% from private car use to other modes of transport will require an additional investment of £1.8bn and that was before the impact of the COVID-19 crisis.

Public transport in Wales is currently very highly subsidised and the level of subsidy – in aggregate terms and in particular per passenger journey – has increased significantly as a result of COVID-19. For example, in respect of rail services, an extra £168m has been allocated in 2020-21 to support rail services given the drop in revenues associated with the fare box. This means total revenue investment in rail in 2020-21 will be c£335m. Based on continued 'low' projected passenger patronage, the costs of rail services alone next year could be in the order of £330-340m again. The draft Budget recognises some portfolio specific spending pressures and we will continue to monitor the impact of the pandemic on rail services.

In addition to increased subsidy costs, there will also be the need for significant investment in capital such as developing safer infrastructure for the preferable transport modes and improving public transport so it has the capacity and attractiveness for those who would at the moment prefer to make their journeys by car.

8.12 National Transport Finance Plan

The National Transport Finance Plan was published in July 2015. It outlines the significant investment to address the ambitious targets: the rail franchise including investment totalling almost £5bn over the next 15 years to transform rail services across Wales, major legislative reform of the public transport network and the development of integrated, multi-modal transport system across Wales. It sets out in more detail how we propose to deliver the outcomes set out in the Wales [Transport Strategy](#) from 2015 and beyond.

The Plan includes all transport interventions financed by the Welsh Government. The Plan was updated in [2017](#) and [2018](#).

This Plan is not a policy document nor does it seek to prioritise schemes to be taken forward. Some of our projects are being delivered, some are under construction and others are under development. We will be continuing to deliver the outstanding commitments in the Plan, whilst we develop the National Transport Delivery Plan which will set out our investment programme for the 5-year period from April 2022.

8.13 Decarbonisation

Our approach to removing carbon emissions from the transport sector is set out in '[Prosperity for All: A Low Carbon Wales](#)' published in March 2019.

Key actions at a Wales level are to encourage modal shift to more sustainable modes of transport such as active travel and public transport and encourage a change in travel demand through enabling home working and better land use planning. Funding for these policies are included under sectoral allocations above.

A further key action is to accelerate the uptake of zero emission vehicles in Wales through funding for electric vehicle charge points, and supporting the transition of bus, taxi and private hire vehicles to zero emission by 2028 in line with our stated policy ambition. In 2021-22 there is an allocation of £38m (including £10m FT capital) for the Ultra Low Emission Vehicles Transformation Fund will support this work. This investment builds on the additional funding of £29m capital (£21.5m core and £7.5m FT) in 2020-21.

Funding will also support the development of the transport sector chapter in the second Low Carbon Delivery Plan covering the carbon budget period 2021-2025 and critically, assess the potential carbon savings from future transport investments.

8.14 Preventative Spending

As well as looking at the transport needs of today our strategy is looking at the long term needs of society and future generations. Therefore this budget has a strong focus on maintaining existing public transport infrastructure with a view to this providing the backbone for those longer terms needs. In particular, we are looking to promote and provide healthier travel opportunities for travellers through active travel, promote modal shift especially (for example through continued subsidisation of youth/young persons' travel) and looking to protect the health of future generations through decarbonising public transport fleet." The allocations of funding will reflect our priorities as set out in the draft strategy and drive changes that place greater emphasis on sustainable modes and which reduces the need to travel by car.

A significant element of spend is either in relation to Statutory obligations or existing contractual obligations. However, all new proposed interventions are subject to WelTAG studies which ensures that the most appropriate intervention is selected and, where appropriate, business cases or business justifications are produced. Work is also currently underway with TfW to produce a series of key metrics to show how our effective interventions are and how effective TfW is in delivering these.

9.0 SKILLS FUNDING OF ACTIONS

Skills	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Revenue	173,541	177,941	4,400	3%
Non Cash	1,400	1,436	36	3%
Total Resource	174,941	179,377	4,436	3%

9.1 Work Based Learning Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Work Based Learning	97,033	97,033	0	0%
Total Resource	97,033	97,033	0	0%

This net budget supports the delivery of the apprenticeship programme to employers and their employees, with a particular priority for new recruits, throughout Wales. The [100,000 apprenticeships-target](#) has been met creating high quality opportunities for all. Dashboards and information is published by [Statistics Wales](#).

9.2 Delivery Support – Skills Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Marketing Skills	648	648	0	0%
Total Resource	648	648	0	0%

The SHELL Marketing & Communications Division develops key messages and engaging communications delivered through high profile announcements and events, publicising of major milestones via social media and digital communications, high-profile focused and targeted campaigns and stakeholder engagement.

9.3 Skills Policy Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Skills Policy Engagement	1,556	1,556	0	0%
Total Resource	1,556	1,556	0	0%

The majority of funding delivers the Employer Engagement, Regional Skills Partnerships, National Occupational Standards and Skills Implementation programmes.

9.4 Employment and Skills Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Employability and Skills	51,322	49,722	(1,600)	(3%)
Communities for Work	3,972	9,972	6,000	151%
Sub Total	55,294	59,694	4,400	148%
Non Fiscal Resource				
Communities at Work - Non cash	0	36	36	100%
Total Resource	55,294	59,730	4,436	7%

The Employability and Skills budget funds the development and delivery of strategies, policies and programmes which assist people to access, return to, remain in, and progress at work through skills and training support. It also facilitates a direct response to assist the growth of individual businesses through workforce development and provides sector-based, employer-led and wider solutions to respond to identified skills needs in Welsh Government priority areas which are important for the economy of Wales. The change in the budget reflects the non-recurrent EU transition funding for manufacturers.

The Communities for Work Programme budget of £9.972m provides specialist employment advisory support and intensive mentoring to people who are either in or at risk of poverty who face complex barriers to employment and training opportunities. Through helping people in unemployment gain work experience, learn new skills, or through expert employment advice, the additional allocation of £6m for Communities for Work Plus enables people to build confidence and unlock their potential. This funding is made available to mitigate the impact of the pandemic.

9.5 Educational and Careers Choice Action

BEL	2020-21 Final Budget £'000	2021-22 New Plans Draft Budget £'000	Change £'000	Change %
Revenue				
Careers Wales	19,010	19,010	0	0%
Sub Total	19,010	19,010	0	0%
Non Cash				
Careers Wales - Non cash	1,400	1,400	0	0%
Sub Total	1,400	1,400	0	0%
Total Resource	20,410	20,410	0	0%

The budget for Careers Wales (a wholly owned subsidiary company of the Welsh Government) is maintained. It delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales. The non-cash provision of £1.4m is for depreciation.

10.0 SKILLS - KEY POLICIES

Additional information is provided in response to the specific requests made by the Committee as follows:

A general overview of the ongoing support for the skills sector though the pandemic and any support it will be allocated for recovery.

- The Minister for Economy, Transport and North Wales announced £40m to support Welsh Government's Covid Commitment in 2020-21.
- The COVID Commitment is for skills and jobs: we have committed to offer advice and support to people 16+ to find work, pursue self-employment or find a place in education or training, with hiring incentives for employers to recruit individuals most affected by Covid-19. Young people 16-24, disabled people, BAME, women and others most affected by the Covid-19 pandemic will be prioritised.
- The COVID Commitment is for skills and jobs: we have committed to offer advice and support to people 16+ to find work, pursue self-employment or find a place in education or training, with hiring incentives for employers to recruit individuals most affected by Covid-19. Young people 16-24, disabled

people, BAME, Women and those most affected by the Covid-19 pandemic will be prioritised.

- We will continue to invest in our Employability and Skills programmes in 2021-22, maintaining the offer to support individuals and businesses. Working across Government, we remain firmly committed to supporting people into employment or self-employment, securing learner continuity and progression in the labour market throughout this pandemic.
- Welsh Government priorities are to help stabilise Wales as we continue to live with coronavirus, prevent longer-term damage and plan to build a new future.
- We will do everything we can to reduce unemployment and give everyone the best chance to find and keep decent work with long term prospects, adding value to the UK government's Kickstart programme. We will work with trade unions, employers, schools, and colleges to provide opportunities for people to develop their skills and to acquire new ones.
- We will make sure that our young people do not lose educationally or economically through the effects of coronavirus or because of any economic downturn that is not of their making. We will support all of our young people to stay in education and to catch up at school and in college. In addition, we will make sure that particularly disadvantaged groups, including members of BAME communities, receive the additional help that they need.
- We are focussed on supporting A Values Based Recovery, the renewal of people and places across Wales, and pursuance of just recovery underpinned by fairness and inclusivity, targeted on supporting those most impacted by crisis to avoid deepening economic inequality.
- We remain committed to maintaining a three-nation policy approach to UK-wide National Occupational Standards (NOS) to underpin Adult Vocational Qualifications and apprenticeship frameworks in Wales. NOS support social mobility and permit the transferability and movement of skills across companies, sectors and borders. Transferability of skill is crucial to the economy in times of crisis; new training interventions will be needed. NOS and the transferability they offer are crucial to these programmes (e.g. competencies which are transferable from a struggling hospitality sector to a booming retail sector).

10.1 Work Based Learning

Apprenticeship Delivery – Procurement

The apprenticeship tender was launched on 17 August 2020 with a response closing date of 12 October 2020. As outlined in the Invitation to Tender we intend to communicate results to bidders in March 2021. We have been advised that we are unable to provide responses to procurement related questions whilst the process is still on-going. But please see below.

Apprenticeship provision is currently being procured for delivery from 1 August 2021. Revised unit prices have been published which show an average increase in value of 12.3%. We are still considering what funding will be required to deliver the

level of provision we want to see, particularly in the wake of the pandemic. We will be considering this further as the procurement process progresses.

The procurement documents for the 2021 Apprenticeship programme procurement are provided below:

Programme Specification:



ACP - Progra

Invitation to Tender:



ACP - Invitati

Jobs Support Wales – Procurement Lessons Learned

The procurement of apprenticeship delivery from 1 August 2021 is a live process due to complete in March 2021. Welsh Government's Corporate Procurement Service can confirm that the relevant outcomes of the lessons learned have been implemented and put in place for all applicable procurements. Whilst the process is still on-going, we are unable to provide further responses to procurement related questions. However, we will be happy to share information on lessons learned once the procurement has concluded.

Degree Apprenticeships

The proposed 2021-22 Work-Based Learning BEL is net of £5m to be transferred to HEFCW to support Degree Apprenticeships. It is anticipated that further funding will be transferred in year in the supplementary budget to support the cost of new and continuing Degree Apprenticeships in 2021-22. The cost is not confirmed at this stage.

The actual 2019-20 outturn for the Traineeship programme is £29.6m. The expected outturn for this programme for 2020-21 is £30.5m. The actual 2019-20 outturn for the Apprenticeship programme is £113.6m (inclusive of ESF income). The expected outturn for this programme for 2020-21 (including ESF income) is £137m.

Structure for Welsh Apprenticeship Programmes

The Welsh Government commissions new and revised apprenticeship frameworks via contracting arrangements with Skills Development Scotland (SDS). SDS manages the tendering and contract management process on behalf of the devolved nations.

In order to ensure the apprenticeship offer remains current and relevant to the needs of employers in Wales, £140,000 has been allocated for the development of

apprenticeship frameworks for 2020-21. This amount is based on expenditure in previous years and includes:

- £125,000 to be made available for apprenticeship framework developers via the SDS Commissioning process to develop new, and revision of existing, apprenticeship frameworks; which includes commissioning the review of the Food & Drink, Legal & Financial Services, Dental, Hospitality & Catering, Agriculture & Environment, Creative & Design, Media and Transport & Logistics frameworks (see Annex 1 for further details on the pathways reviewed within these frameworks)
- £15,000 for reviewing the Engineering and Advanced Manufacturing and Digital Degree Apprenticeship Frameworks. This will involve quality assuring additional degree qualifications for these frameworks;

In addition recognised Development Partners are also able to develop and review frameworks. These are non-commissioned reviews but have to be agreed by Welsh Government prior to commencement. In 2020-21, Welsh Government has agreed to the non-commissioned development and review of frameworks in the Health & Social Care, Childcare, Healthcare and Construction sectors.

It is our intention to continue to develop and review these frameworks in 2021-22 and to also commission the development and review of frameworks in the following sectors: Digital, Business & Management, Building & Property Services and Public Services. It is expected that £140,000 will be committed for this purpose in 2021-22.

Demand Management Apprenticeships

Our Apprenticeship Action Plan (2017) signalled our intention to move the Apprenticeship programme towards supporting new entrants and employees who are relatively new in their job role. It also identified the need to move away from generic apprenticeships towards those that are sector specific. The original eligibility changes for 2020-21 reflected this direction of travel. We are reviewing the impact of Covid on future demand.

Whilst we stand by the need move the apprenticeship programme closer to the aims of the Action plan, we do recognise the requirement for some flexibility during this difficult time. Therefore, we have relaxed some of the eligibility criteria.

- Firstly, in recognition that young people are disproportionately impacted by the economic downturn, employees aged 16-24 will not be deemed ineligible for an apprenticeship on the grounds of length of employment in their current job role. The only exception to this will be for those Level 2/3 apprenticeships that have been identified as generic (e.g. Business Administration, Retail and Customer Service, Team Leading and IT Users) as these will only be available for new recruits. This relaxation will be subject to further review but will apply until at least February 2021
- Secondly, in recognition of the fact that some employers will have delayed their recruitment decisions as a result of lockdown, we deferred the new eligibility requirements for all employers that had planned to recruit apprentices whilst the previous eligibility rules were extant. This deferral was applied until 31 October 2020.

- Additionally, for this year we have also amalgamated all apprenticeship funding to enable providers to be better placed to respond to employer demand. This is a change to the approach applied in previous years where separate contract values were awarded to support specific occupational sectors.

The Employer Incentive Scheme has recently been launched to encourage employers to recruit new apprentices. Funding has been secured to support this incentive until February 2021. It is currently too early to determine how effective this incentive will be to bolster Apprenticeship recruitment.

10.2 Employability Support

Employability Programmes

Employability programmes funded by the Employability and Skills BEL which are contracted by tender are Traineeships, the Employability Skills Programme (ESP) and Jobs Growth Wales.

- **Traineeships** - target the (NEET group) and provides a range of life skills, employability and training support for 16-18 year olds in centres or via work experience places and is part funded by the European Social Fund. The contract values for 2021-22 are to be determined dependant on 2020-21 performance and budget availability.
- **Employability Skills Programme (ESP)** - supports unemployed adults to get a job and to stay in work by improving their employability skills. The Programme offers a high quality work placement or employer specific training. This is combined with work preparation training and essential skills provision. The contract values for 2021-22 are to be determined dependant on 2020-21 performance and budget availability.
- **Jobs Growth Wales** - is aimed at unemployed young people aged 16-24, giving them valuable work experience of 25-40 hours a week for a 6-month period, paid at or above the National Minimum Wage. Government provides a 50% wage subsidy. The contract values for 2021-22 are to be determined dependant on the performance and budget availability.

A number of our other employability programmes, such as ReAct, are demand led and the providers vary depending on the needs of the citizen.

European Funding

Within the Employment and Skills Action we deliver three ESF projects under the 2014-2020 European programmes, including ReAct, and Traineeships. These operations underpin a number of Prosperity for All commitments, including the commitment to reshape employability support. We currently have £109m ESF approved through to December 2023 under these operations.

10.3 Regional Skills Partnerships/Employer Engagement

Regional Skills Partnership Funding

We plan to issue a grant of £165k each to the three RSPs via the WLGA for 2021-22, maintaining funding at the same level as 2020-21.

If there is no increase in the budget line for RSPs, this will result in the following:

- No 4th RSP for Mid Wales,
- No expansion to the RSP remit which was recommended by EIS Committee in October 2019,
- No increased LMI activity (LMI Toolkit procurement 2021-22 or Employer Skills Survey 21 which will have Covid related intelligence for Wales.

Other funding intended to support the operation of RSP, but which is not allocate directly to them

- Welsh Government does not provide any other funding to support the operation of Regional Skills Partnerships.
- An evaluation of the RSP process is planned for 2021.

10.4 Brexit

The impact on the labour market is unprecedented with significant disruption. That has led to sharp falls in the number of people employed, the number of hours they work and the number of job vacancies on offer. The impact of the pandemic threatens to reverse progress made in reducing unemployment and economic inactivity in Wales over the last decade. However, we seek to move forward with a renewed focus on our goals to tackle the forecast rise in unemployment (in collaboration with the Department of Work and Pensions WP), to address the Not in Employment Education or Training (NEET) rate of young people, to improve qualification levels in Wales, and to reshape the skills of the existing workforce and promote fair work in Wales.

For the economy to emerge stronger and more productive than before, both individuals and businesses will need support to navigate the crisis. The Welsh Government employability offer will be central to our economic recovery and ambitions to Build Back Better, and crucial in supporting those most likely to be negatively impacted in the Welsh labour market.

We are expanding front lines services via Employment Bureaus (Further Education), Working Wales, and the Communities for Work Plus (CfW+) advisor and mentor infrastructure. To help people back into work, we are directing people to access Working Wales as the portal to our wider employability offer.

Our goal is to support the 'Return' and 'Retention' of the current workforce, 'Restart' an individual's employment journey following a period of unemployment or furlough, and prepare and 'Reskill' people across Wales for the future world of work.

Working across Government, we remain firmly committed to supporting people into employment or self-employment, securing learner continuity and progression in the labour market throughout this pandemic.

The Welsh Government has been clear and consistent in its priority that Wales will not to lose a penny of funding due to Brexit; as promised during the referendum.

We have assurance that the UK will continue to participate in EU programmes funded through the 2014-2020 Multiannual Financial Framework under the terms of the Withdrawal Agreement, meaning we will be able to continue to deliver our programmes through to December 2023.

Since the Referendum in 2016, we have been working with stakeholders across Wales on a new regional investment policy which puts us in a strong position to hit the ground running when the EU Structural and Investment funds begin to tail off towards the end of this year.

The Framework for Regional Investment in Wales, published 18 November 2020, sets out our high-level strategy for achieving prosperity and an inclusive economy to which local, regional and national (i.e. Wales-wide) interventions will contribute.

11.0 EVIDENCE BASE / EVALUATIONS & REVIEWS

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics. This is embedded in decision making with some examples as follows.

As a Government, we have helped established organisations to help develop the evidence we use to inform our activities. For example, funded by the Economic and Social Research Council and Welsh Government, the Wales Centre for Public Policy is based at Cardiff University and is a member of the UK's What Works Network. The Centre collaborates with leading policy experts to provide Welsh Ministers and officials with high-quality evidence and independent advice that helps them to improve policy decisions and outcomes. The Centre and its predecessor, the Public Policy Institute for Wales (PPIW) have published several reports relating to the E&T portfolio.

The Economic Intelligence Wales (EIW), a collaboration between the Development Bank of Wales, Cardiff Business School and the Office for National Statistics, provides the evidence base for policy decisions, enabling the Welsh Government, Business Wales and DBW to challenge and adapt the support offered to Welsh SMEs. EIW have recently published a report: Covid-19 Welsh Government financial interventions: An analysis of Welsh beneficiaries, December 2020. This report, jointly commissioned by EIW, Development Bank of Wales and Welsh Government, analyses the Welsh beneficiaries and forms the first stage of an ongoing research programme. Additionally, EIW regularly publishes quarterly and bespoke reports on the Welsh economy and company financing.

The Centre for Digital Public Services provided independent advice on digital infrastructure development with training, good practice sharing, and expert help for service transformation.

The evidence and scope of the appraisal undertaken during policy and programme development are assessed on the basis of risk, size and scale, existing evidence base and other factors. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability in delivering against our goals, whilst gateway reviews for large projects are completed to challenge all aspects of a business case including the essential value for money assessment. Whilst the reviews are project specific, they help to build up a useful source of information for considering other projects. Internal and external audit reports can be helpful in a similar way.

Working Wales plays a vital role in evaluating and understanding an individual's needs and the complex barriers they present. In doing so, they are able to determine the most appropriate provision to meet the needs of that individual. The service provides a national entry point to employability support, which supports and complements existing channels; thereby avoiding duplication and ensuring value for money.

We are developing a new adult employability programme, to start delivery in late 2021-2022. The new Adult Employability Programme will build on the proven successes, concept and brand to combine ReAct (redundant workers All-Wales) and Access (unemployed people) to provide this full employability offer to unemployed adults in Wales. The programme will provide individualised support to those trying to enter the labour market by removing barriers and providing grant support such as vocational training, childcare, travel costs and wage subsidies. The main aim of the programme is to enable progression into sustained employment.

The new programme will utilise a format that is tried and tested and will offer a programme of support to fulfil the aims of Taking Wales Forward and the Employability Plan. ReAct development, evaluations and audits over the past 20 years have helped the programme become efficient and effective at assisting people enter employment.

A review of the ABC Grant Scheme within ICT by external consultants is currently ongoing. This review will ascertain value for money for the grant as well as identifying possible technical solutions.

We have funded the Wales Social Partners Unit, through a competitive tender process, to deliver engagement services between Social Partners and the Welsh Government in Wales. This helped to ensure that the views of some of our key stakeholders are embedded into policy development and delivery. This area of spending underwent an independent evaluation. The organisation's resource is now located within the Social Partnership and Fair Work directorate within Welsh Government.

The E & T Ministerial Advisory Board that provides regular, creative and high-quality advice to me to help improve economic development in Wales in line with the priorities and vision set out in the EAP.

From a transport perspective, we fund Bus Users Cymru to represent passengers' interests and to input to policy development. This includes contributions to policy

consultations, monitoring of bus services, dealing with complaints and holding bus surgeries throughout Wales.

A review of PSBA was undertaken in 2019 by external consultants to confirm whether a contract extension should be sort. The consultants concluded that should the contract be ceased in 2021 costs to procure, staff and build individual public sector networks was likely to be at least 48% higher than the costs for continuing the contract.

In 2018, Welsh Government commissioned a research report:” Commercial Property: Market Analysis and Potential Interventions” to evaluate the supply of and demand for modern sites and premises in Wales. The SQW report has been used to support the implementation of the Welsh Government’s Economic Action Plan: Property Delivery Plan. An additional note has been produced alongside the final report to consider the potential implications of the Covid 19 pandemic, given the report was delivered at the start of the outbreak. This area is reviewed to ensure evidence is reflective of the current and future circumstances.

Delivery of evidence from areas within Welsh Government has entailed analysts across professions working collaboratively to enhance the evidence base and assess impacts to inform the policy, delivery and funding decisions in relation to the Covid 19 pandemic.

12.0 MONITORING BUDGETS

There are well-established processes in place for detailed and effective management of voted budgets in-year to the Economy and Transport MEG. A significant element of planned activity in the MEG is demand led such as the Economy Futures Fund and invariably large infrastructure projects which are undertaken by third party contractors. Consequently expenditure can be affected by factors outside Welsh Government control such as adverse weather conditions. Plans are monitored closely by the senior management team to agree options and proposals for corrective action to seek to manage net expenditure at budget levels.

Robust challenge reviews are undertaken at mid-year to identify any significant issues and inform options for the consideration of the Directors, Minister, and Deputy Minister and available resources reprioritised to remain responsive to economic developments.

13.0 LEGISLATION

The Bus Services (Wales) Bill was withdrawn from the legislative programme by the First Minister on 15th July 2020. This was due to prioritising the legislative programme to deal with the Covid 19 pandemic and Brexit preparations.

The Bus Reform programme team continue to work in collaboration with the sector to establish the best approach for the future and support recovery.

14.0 REDUCING THE IMPACT OF DEPRIVATION AND POVERTY

Combatting the impact of Coronavirus and seeking to prevent and mitigate the further damage of our exit from the European Union are our key objectives. Both threaten to

reverse the progress we have made in reducing unemployment and economic inactivity in Wales over the last decade. Yet, even this success is tempered by the rise in in-work poverty over the same period.

There is now an unequalled opportunity to think long term and look to the future – to tackle with renewed vigour many of the deep-seated challenges that Wales faces and to help our people, businesses and communities recover and prosper. We won't just look to claw back the progress we made on unemployment and economic inactivity. We are determined to approach the economy differently, to ensure investment really pays off for workers and moves us away from precarious employment and in-work poverty. The approach must also take account of the fundamental challenges we face in tackling the climate and nature crises. It is not enough to measure overall wealth of a nation whilst glossing over inequality or consequential environmental degradation.

Our approach on the economy is guided by the seven national well-being goals. Our vision is of a **well-being economy** which drives prosperity, is environmentally sound, and helps everyone realise their potential. Its pursuit is underpinned by **three outcomes**:

- A more **prosperous economy** which requires a steady focus on resilience, and a capacity for transformation. We will take action to support the Foundational Economy and a diverse, inter-related economic base of grounded outward-looking firms with positive innovation performance, good productivity levels and an engaged and empowered workforce equipped with the skills for a changing world.
- A **greener economy** which demands high levels of circularity, where resources are kept in use adding economic value and where waste is avoided. This can create jobs and skills opportunities in new industries from renewables to repair. This economy is integral to a low carbon society, so we will invest in low-carbon and climate resilient infrastructure, nature-based solutions, renewable energy projects and sustainable homes.
- A more **equal economy** which *means* investing in the productive potential of all people in communities making sure nobody is left behind. We will build ambition, encourage learning for life and support people to make the most of their potential where work is well-rewarded and fulfilling. Our regional approach will support a fair distribution of opportunities to deliver fairer outcomes and we will continue to demand and champion fair work.