

## Agenda – Enterprise and Business Committee

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Meeting Venue:

**Committee Room 4 – Tŷ Hywel**

Meeting date: Wednesday, 24

February 2016

Meeting time: 09.15

For further information contact:

**Gareth Price**

Committee Clerk

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### Private pre-meeting (09.15–09.30)

#### 1 Private discussion with Members of the European Parliament

(09.30–10.10)

(Pages 1 – 6)

Derek Vaughan MEP

Kay Swinburne MEP

Nathan Gill MEP

Attached Documents:

Research Brief for the session with the Members of the European Parliament

### Break (10.10–10.20)

#### 2 Introductions, Apologies and Substitutions

#### 3 Scrutiny of the Deputy Minister for Skills and Technology

(10.20–11.00)

(Pages 7 – 27)

Julie James AM, Deputy Minister for Skills and Technology

Teresa Holdsworth, Deputy Director, Youth Engagement and Employment, Welsh Government

Ella Davidoff, Head of Policy and Programme Development, Welsh Government



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

Attached Documents:

Research Brief for the session with the Deputy Minister for Skills and Technology  
EBC(4)-06-16 (p.1) Evidence from the Deputy Minister for Skills and Technology

## **4 Scrutiny of the Minister for Economy, Science and Transport**

(11.00-12.30)

(Pages 28 – 46)

Edwina Hart AM, Minister for Economy, Science and Transport

James Price, Deputy Permanent Secretary, Welsh Government

Attached Documents:

Research Brief for the session with the Minister for Economy, Science and  
Transport

EBC(4)-06-16 (p.2) Evidence from the Minister for Economy, Science and  
Transport

## **5 Papers to note**

**5.1 Letter from William Graham AM to the Student Loans Company following the  
Draft Budget Scrutiny session on 14 January 2016**

(Pages 47 – 48)

Attached Documents:

EBC(4)-06-16 (p.3) Letter to Student Loans Company

**5.2 Letter from the Minister for Economy, Science and Transport regarding TEN-T**

(Pages 49 – 50)

Attached Documents:

EBC(4)-06-16 (p.4) Letter from the Minister for Economy, Science and Transport  
regarding TEN-T

### **5.3 Further information provided by the Rail Freight Group**

(Pages 51 – 52)

Attached Documents:

EBC(4)–06–16 (p.5) Further information provided by the Rail Freight Group regarding their evidence session on 28 January

### **5.4 Further information provided by the Minister for Economy, Science and Transport following the budget scrutiny session on 14 January 2016**

(Pages 53 – 65)

Attached Documents:

EBC(4)–06–16 (p.6) Further information provided by the Minister for Economy, Science and Transport following the budget scrutiny session on 14 January 2016

### **Private de–brief (12.30–12.40)**

# Agenda Item 1

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# Agenda Item 3

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## **PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE ASSISTING YOUNG PEOPLE INTO WORK**

### **Youth Engagement and Progression Framework**

The Youth Engagement and Progression Framework (YEPF) is the Welsh Government's key delivery driver for reducing the number of young people who are not in education, employment and training (NEET).

The Framework is non statutory and local authorities take the strategic lead in implementing it on the ground. Positive progress has been made since its launch in October 2013. Each local authority has shown commitment to this agenda by putting in place an Engagement and Progression Co-ordinator (EPC). The EPC plays a critical role in delivery. They work closely with Careers Wales to provide the operational leadership needed to identify the level of risk for young people and the specific support needed to help them make a positive progression.

Ensuring that personal information about individuals at risk is shared legally, safely and with confidence between partners is vital. We are pleased to report that every local authority in Wales now has a quality assured Information Sharing Protocol in place or under development.

Many of the findings from the [formative evaluation of the YEPF](#) published in August 2015 were positive. The report found that all LAs have made progress with implementing the YEPF and many interviewees praised the YEPF as the best guidance/strategy related to young people produced by the Welsh Government. Most interviewees believe that the YEPF has made a difference to collaboration, buy-in to reducing the numbers of young people who are NEET, and leadership engagement.

Embedding systems takes time and the YEPF is creating cultural change within local authorities. We will continue to support LAs to develop structures and systems at a local level to build upon the good work to date, including data collection and analysis, coordination of the Framework within other key priority areas and between a wide range of partners.

### **Careers Advice and Guidance**

Careers Wales is a central partner in the delivery of the Youth Engagement and Progression Framework. Their client management system is used to track young people at risk of disengagement or who are disengaged, and is the backbone of the 'tracking' system which underpins the YEPF.

Increasingly Careers Wales is developing and delivering a blended service to young people, one which uses web-based services as far as is possible to address client needs especially for mainstream clients, with users being directed to other supporting services such as web chat or face-to-face services where needs cannot be met through the 'digital first' approach.

Blending services provides a way of bringing targeted and focused input to clients without the necessity for traditional forms of face-to-face interaction such as full guidance interviews. There is growing evidence to suggest that young people are confident in using web-chat or social media (more so than traditional telephone based services) when seeking direct interactions with a careers advisor. This is born out by the fact that in the second quarter of 2015 Careers Wales delivered 4349 web-chat sessions, more than double that delivered in the same period in 2014. Interactions through social media are also increasing rapidly.

### **Improving Education Employer Engagement**

Business in the Community (BITC) has been appointed to develop a school-employer engagement model to build sustainable relationships (i.e. partnerships) between secondary schools and local employers. The approach will build on BITC's Business Class programme which is a tried and tested model and has been evaluated for its effectiveness. BITC is working closely with Careers Wales to embed the delivery of Business Class Cymru into their current delivery infrastructure.

Businesses will support schools through a planned programme of activity over a minimum three-year period. Partnerships are enhanced through the 'cluster' mechanism enabling young people to access a wider range of employers from different sectors. We want every secondary school in Wales to have the opportunity to participate by 2018. The primary objective for year one (to end March 2017) is to establish 60 Business Class Cymru partnerships. At the end of November 2015, 13 partnerships had been established.

### **The New Curriculum and Careers and the World of Work**

*A curriculum for Wales, a curriculum for life* was published on 22 October 2015. It sets out how the Welsh Government plans to implement the recommendations set out in Professor Donaldson's *Successful Futures*. It outlines how we will build our new broad, balanced, inclusive and challenging curriculum. One of the key purposes of the curriculum is to develop young people into enterprising, creative contributors, ready to play a full part in life and work.

We have announced the names of 106 Pioneer Schools who have been selected to focus on the design and development of the new curriculum. The Pioneer Schools, Welsh Government and Independent Advisory Group, chaired by Graham Donaldson, will continue to engage with employers, business leaders, further and higher education institutions throughout the development work to ensure that the new curriculum equips our learners for the world of work. The Pioneer Schools and experts will also consider how the Cross Curriculum Responsibilities and wider skills essential for employability and the world of work will be embedded throughout the curriculum.

The Pupil Offer, launched in December 2014 as part of the Schools Challenge Cymru programme sets out to enrich the educational experience of learners by providing opportunities to widen pupils' horizons.

The development and implementation of the new curriculum and a Pupil Offer for all pupils will strengthen school engagement with business and the wider community and provide more opportunities for young people to understand the skills and behaviours needed in the workplace.

Schools are required to provide Careers and the World of Work and this will be reviewed as part of the broader implementation of Professor Donaldson's recommendations. In the interim we are developing a range of practical tools and resources to help schools engage with employers and deliver the careers and the world of work framework with a focus on work experience placements.

### **Improving Access to Labour Market Intelligence**

Provision of relevant and up-to-date labour market intelligence (LMI) is essential in enabling individuals to make informed career decisions. To this end Careers Wales have improved the LMI on CareersWales.com, allowing better presentation of careers information. In addition, national level LMI is presented via the Learning and Skills Observatory, with the focus on key major sources of LMI (such as the UK Commission's Employer Skills Survey).

Regional LMI is provided by the Observatories of the three Regional Skills Partnerships. A Labour Market Intelligence Management Group has been set up to minimise gaps and duplication in the LMI presented to stakeholders via key websites across Wales.

### **Increasing the Parity of Esteem between Academic and Vocational Pathways**

We recognise the need to improve the range of opportunities for young people. The Common Area Prospectus (CAP) tool, developed by Careers Wales, has now been rolled out across Wales and allows young people to see the range of options available to them when making their choices for post-16 learning.

In Wales, secondary schools and Further Education (FE) colleges are required to offer vocational courses to learners through their key stage 4 and 16-18 local curriculum offers, in line with the statutory requirements of the Learning and Skills (Wales) Measure 2009. The requirements of the Learning and Skills (Wales) Measure 2009 ensures that learners are offered a minimum of 25 courses with at least 3 vocational qualifications at key stage 4 and a minimum of 30 courses with at least 5 vocational courses at 16-18.

Since the introduction of the Learning and Skills (Wales) Measure in 2009 all secondary schools and FE colleges have either met or exceeded the minimum requirements, in terms of the number of vocational courses offered to learners. Evidence also indicates that there has been a steady increase in the last 5 years in the percentage of learners taking a vocational qualification. For example; in 2014/15 75.4% of 15 year olds took a vocational qualification compared to 46.9% in 2010/11. In addition, in 2014/15 30.0% of 17 year olds took a vocational qualification compared to 18.9% in 2010/11.



We have continued to extensively promote apprenticeships to individuals still at school or attending Further Education Institutions as this is crucial if apprenticeships are to gain parity of esteem with the traditional GCSE to “A” Level to Degree route in schools and FE Colleges. Over the past year we have used our ‘Apprenticeship Ambassadors’ (who are apprenticeship award winners and finalists from previous Skills and WorldSkills competitions) to visit a number of schools throughout Wales to promote the positive benefits of apprenticeships to pupils.

### **Supporting young people furthest from the labour market to remain engaged**

We recognise that too many looked after children (LAC) leave compulsory education with few or no qualifications and all too often this can lead to them become NEET or to enter the youth justice system.

*Raising the ambitions and educational attainment of children who are looked after in Wales* – sets out the Welsh Government’s commitment to supporting looked after children and care leavers to reach their full potential. The strategy and accompanying action plan recognises that more must be done to help looked after children with the transition from compulsory education to post-16 education, employment or training.

The Welsh Government and Youth Justice Board published a joint Youth Justice Strategy ‘Children and Young People First’ in 2014. The Strategy brings together a vision, commitment and coherent framework to improve services for children and young people from Wales at risk of becoming involved in, or who are in, the youth justice system. Tackling the lack of engagement in ETE of young people who offend is often key to achieving successful outcomes and reducing reoffending. A number of actions within the joint strategy are specifically aimed at improving the educational outcomes of these young people.

We have worked with Big Lottery to develop a Dormant Account funded project proposal which will support young people, aged 16-25 with a learning disability/ difficulty, including Autistic Spectrum Disorder (ASD). The aim of the project is to create and support long term youth employment opportunities by engaging NEET young people and employers. It will offer engagement, training and pre-employment support, paid work placements, job coaching and mentoring, support for families and carers, support for employers and employees, support post placement and facilitate sharing of learning.

Young people with special educational needs are a priority group for enhanced services from Careers Wales. All young people with a statement of educational needs are entitled to individualised, independent careers information, advice and guidance from a Careers Wales adviser from Year 9 onwards and up to age 25 if required. Careers Wales have link advisers with all special schools and in mainstream schools in Wales and are aware of current local opportunities and support available for all young people with SEN.

Since the end of the YEPF two year implementation plan last October, we have taken a more targeted approach to its delivery. Regional stakeholder working groups now focus on specific issues and ways to improve both systems and partnership working. Between January and March 2016 the focus will be on LAC and young people in the Youth Justice system.

### **Higher Apprenticeships**

Higher Apprenticeships are an all age programme and as such are not specifically marketed to young people. However, we have significantly raised awareness in schools and FE colleges by promoting Higher Apprenticeships as a valid alternative to Higher Education. Higher Apprenticeships contain a combination of both vocational and academic learning that will contribute greatly to economic prosperity by enhancing an individual's skills.

To make Higher Apprenticeships more appealing to both young people and employers, the Welsh Government has recently begun funding prescribed Higher Education qualifications (HND, HND and Foundation Degrees) when undertaken as part of a published Specification for Apprenticeship Standards in Wales (SASW) Higher Apprenticeship framework.

### **Traineeships**

The Traineeship Programme helps a young person with their confidence and motivation and looks to address barriers to learning, all of which may prevent them from moving into employment or learning at a higher level. We are currently reviewing the programme to ensure it is more effective in supporting young people in to employment.

### **Jobs Growth Wales**

Jobs Growth Wales (JGW) commenced delivery in 2012 as part of the Welsh Government approach to addressing youth unemployment in Wales. Under the first phase of the programme over 17,000 Jobs Growth Wales job opportunities were created across Wales. Data for the second phase of the programme, which commenced in May 2015, will be published in March 2016.

### **Discounted travel scheme for 16 and 17 year olds**

The Welsh Government's scheme providing one-third discounts for 16, 17 and 18 year olds was implemented on 1 September 2015, following a marketing campaign that focused in particular on social media but also included on-bus and roadside advertising. To date, some 3,600 MyTravelPasses have been issued, enabling passholders to enjoy discounted travel on all local bus services and on the Welsh Government's TrawsCymru longer-distance bus network for all journeys, not just those for training and work.

# Agenda Item 4

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**WRITTEN EVIDENCE TO THE ENTERPRISE AND BUSINESS COMMITTEE  
SCRUTINY SESSION ON METRO, RAIL INFRASTRUCTURE AND  
RAIL FRANCHISE– 24.02.16**

## **Introduction**

1. The purpose of this paper is to set out for the Enterprise and Business Committee written evidence on the Committee's inquiry into the priorities for the future of Welsh rail infrastructure; outline the progress that has been made on planning and delivery for the South Wales Metro, taking into consideration the Cardiff Capital Region; and finally the progress on transfer of the 2018 Wales and Borders Rail Franchise to Wales.

## **Rail Infrastructure Inquiry**

2. We are committed to putting rail services at the heart of our transport system to drive our ambitions for a vibrant and dynamic economy. Through the current Wales and Borders franchise, over 955 services carry around 65,000 passengers each day, and from 2003 – 2014 the number of train kilometres travelled increased by 32 per cent to meet increased passenger demand. This level of increased demand is expected to continue and we are keen to encourage more people to travel by train.
3. We are also committed to working towards increasing a modal shift from road to rail for freight. I accepted all of the recommendations from my Wales Freight Task and Finish Group, many of which relate to rail and its importance to intermodal freight networks.  
<http://gov.wales/docs/det/report/140402-freight-task-finish-final-report-en.pdf>.
4. It is therefore imperative that the rail network in Wales is fit for purpose. We continue to work closely with Network Rail to develop its Welsh Route Study – a key document in assessing funding priorities for the next control period and beyond.  
<http://www.networkrail.co.uk/long-term-planning-process/welsh-route-study/>
5. We are working with the UK Government to ensure that Wales benefits from opportunities for investment available from funding sources available across England and Wales.
6. I have asked the Secretary of State for Transport to make funding available to modernise the North Wales Main Line during Control Period 6 so that the benefits of accelerating HS2 Phase 2a to Crewe can be fully exploited. My Officials are working with partners in North Wales and across the border to develop the business case for electrification of the North Wales Coast.
7. Additionally, we have secured a Memorandum of Understanding with Transport for the North in recognition of the close relationships between the economies of North Wales and Northern England. This Memorandum of Understanding will ensure that the views and objectives of stakeholders in Wales are recognised and taken account of, both in respect of the development of the Northern Transport Strategy and when considering options for investment.

**WRITTEN EVIDENCE TO THE ENTERPRISE AND BUSINESS COMMITTEE  
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RAIL FRANCHISE– 24.02.16**

8. I have expressed disappointment to the Secretary of State for Transport regarding delays to electrification of the Great Western Main Line through to Swansea and am pressing for an assurance that the project will be completed as early as possible in Control Period 6. I have also asked for clarification that gauge enhancement work along the Great Western Main Line will be completed during electrification works to improve freight capacity, especially as the line is part of a core Trans-European Transport Network route for freight.
9. I consider the mechanisms available for appropriately holding Network Rail to account for the delivery of enhancement schemes we fund to be inadequate. For example, the North – South Journey Times and Capacity Enhancement Project - which is not a regulated output - was delivered by Network Rail late, over budget and with a reduced scope.
10. We support the devolution of responsibility for setting Network Rail's priorities and funding in relation to the Wales Route, as is already established for Scotland. Financial reports by the Office for Rail and Road suggest that between 2011, when Network Rail's Wales Route was established, and 2015, less than 1% of Network Rail total enhancement funding has been spent in Wales.

**South Wales Metro and the Cardiff Capital Region**

11. The South Wales Metro will be a modern, high-quality, multi-modal and integrated transport system. It will offer rapid, frequent and reliable rail services, as well as incorporating the bus network. It will not only act as a link between our communities but also support the Welsh economy by enhancing connectivity across Wales into the rest of the UK and Europe.
12. The South Wales Metro is a long-term programme. It will deliver benefits as efficiently as possible. This will mean that on some routes an initial investment in improving track capacity to allow service frequency to increase, to achieve Metro objectives, will be the priority.
13. We are currently delivering Metro Phase 1. On 11 June last year, the First Minister officially opened the new Ebbw Vale town station. We are also funding enhancements to the Ebbw Vale line, which will allow for additional services to be introduced in the future, improving stations and funding improvements to improve bus routes, all as part of Metro Phase 1.
14. We are linking the development and procurement of Metro Phase 2 with the procurement of the Wales and Borders franchise. We are taking an outcome-and-output-based approach, whereby we set out to the industry what we want to see, in terms of better access to jobs and services, long-term transformational economic effects, more frequent and faster services, better quality, and environmental improvements. The industry will help us develop the best way to achieve those results, and we believe that this approach will give us innovative solutions that may be better value, and deliver improved outcomes, than the original contractual model for the Valleys lines electrification proposals.

**WRITTEN EVIDENCE TO THE ENTERPRISE AND BUSINESS COMMITTEE  
SCRUTINY SESSION ON METRO, RAIL INFRASTRUCTURE AND  
RAIL FRANCHISE– 24.02.16**

15. The Cardiff Capital Region Board, which has placed improved connectivity as one of its key priorities, has recognised the importance of the Metro project in reshaping the economic fortunes of the region.
16. There is a strong consensus within the Board and across the region on the Metro's significance as a transformative project which, with improved transport connectivity at its core, is seen as integral to achieving wider economic and social outcomes for the Cardiff Capital Region.

**Wales and Borders Franchise 2018**

17. We are working with the Department for Transport to transfer the rail franchising functions to the Welsh Ministers by the beginning of 2017.
18. In preparation for the award of the next franchise, we are undertaking a programme of public engagement to identify passenger priorities for the next franchise. A consultation document 'Setting the Direction for Wales and Borders Rail', was published on 22 January and can be accessed on our website at <http://gov.wales/consultations/transport/160121-rail-franchise/?lang=en>. The consultation closes on 18 March.

David Wallace and Chris Brodie

Student Loans Company

100 Bothwell Street

Glasgow

G2 7JD

3 February 2016

Dear David and Chris

## **The Student Loans Company and the Introduction of Postgraduate Loans in Wales**

I am writing to ask for clarification on the changes to student loans in England and Wales.

In our Scrutiny Committee meeting of 14 January 2016, Julie James, the Welsh Government's Deputy Minister for Skills and Technology, told us that the Welsh Government is "very concerned" that the Student Loans Company is currently working with the Department for Business, Innovation and Skills to introduce postgraduate loans in England, but is currently not in a position to work with the Welsh Government to introduce postgraduate loans in Wales.

We are also aware that Huw Lewis, Welsh Government Minister for Education and Skills wrote to Jo Johnson MP, Minister for Universities and Science on this subject on 28 September 2015. In that letter, Huw Lewis said that:

- Recent changes to the sponsorship and governance framework within which the Student Loans Company operates has been driven by the interests of the Department for Business, Innovation and Skills at the expense of the Devolved Administrations;
- The four sponsor departments across the UK had reached "a common understanding" that no major policy changes should be implemented until the Student Loans Company had stabilised its delivery capacity and replaced its core systems;
- As a result of the "very considerable" demands made by the Department for Business, Innovation and Skills, the Student Loans Company has been



unable to respond to any of the requests of the Devolved Administrations for academic year 2016/17.

Huw Lewis then went on in his letter to list his assessment of a number of further difficulties including:

- The SLC will implement a postgraduate loan scheme for England but is unable replicate any similar scheme for Wales despite the fact that would be the Welsh Government's policy goal;
- The SLC has been required to redesign the maintenance support package available to English domiciled students but the Company is unable to implement anything except a flat rate increase in maintenance loans for Wales; and
- The SLC will not be able to make any changes to the Wales system of maintenance support.

We are aware that the Welsh Government makes a proportionate financial contribution to the running costs of the SLC. Our concern is whether Welsh students are receiving an equal service compared to their English counterparts and that the Welsh Government is receiving value for money for this expenditure from the public purse.

We would be grateful for your assessment of the situation; your response to these comments; an update on any subsequent developments in respect of introducing postgraduate loans; any discussions about the capacity of the Student Loans Company to support other potential policy changes in future years, for example in relation to the maintenance support package in Wales; and your comments on your collaborative arrangements with the UK Government and the Devolved Administrations.

We have also written to Jo Johnson, Minister for Universities and Science to seek his comments. The Committee is currently writing its Legacy report for this Assembly term (2011-16) and we would therefore appreciate an early response from you.

Yours sincerely,



William Graham AM, Chair







William Graham AM  
Chair, Enterprise & Business Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff CF99 1NA

10 February 2016

Dear William

I appreciate the Committee's continuing interest in making sure Wales makes the most of any feasible opportunities linked to being on TEN-T, especially the potential for joint projects with Ireland, and thought it would be useful to provide an update for members.

We have continued and furthered our engagement with Ireland and the public and private sectors in Wales to explore and identify potential bids under the current Connecting Europe Facility (CEF) call, focusing on connectivity with Ireland. The deadline for bids under the current call is 16 February.

This engagement has included discussions with the Irish Government agency the Marine Development Office (IMDO), the port of Dublin and Irish Rail, as well as port owners and ferry operators in Wales. The engagement has covered any strategic transport related projects emerging from the Wylfa B Horizon programme, the North Wales Rail Modernisation work, and Metro which could possibly meet the strict CEF bidding criteria.

The consensus from this engagement with stakeholders, including infrastructure owners, is that no suitably mature, committed projects are likely to emerge to bid for under this call.

All involved were very positive about continuing the dialogue, echoing the feedback that the committee received after its visit to Ireland last year. We will continue to build on these relationships and discussions with a view to working on joint projects that could be suitable for bids under the next TEN-T funding call.

The discussions with the IMDO covered other European funding opportunities, in particular INTERREG, and we will continue to explore the potential for joint tourism projects and renewable energy projects with Ireland.

Edwina Hart

# Agenda Item 5.3

8 February 2016



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Mr William Graham, AM,  
Chairman,  
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CF99 1NA.

By e-mail

Dear Mr Graham,

Since giving evidence to the Committee at Wrexham on 28 January it has been drawn to my attention that I inadvertently misled the Committee over the issue of the Loading Gauge that will apply to the Severn Tunnel after electrification of the South Wales Main Line.

The Transcript, Page 29, Paragraph 123, correctly records that I said

“...the electrification of the South Wales Main Line is going to bring with it what’s called the W10 loading gauge...”

which is what I believed to be the case.

In my written evidence, Paragraph 11 included the caveat

“However, while electrification works are usually accompanied by an increase in “Loading Gauge” to the “W10” Gauge needed for 9ft6ins high containers to move on conventional wagons, there are some structures which can accommodate the overhead wiring without alteration but at a lower Gauge.”

Generally, alterations to these latter structures have therefore been funded through the Strategic Freight Network Fund that I also referred to in both my written evidence and in my oral evidence at Wrexham, and this was to be the case for the Severn Tunnel. However, you will recall that at Wrexham I also drew attention to the reduction of the Strategic Freight Network Fund as part of the recent Hendy Review.

It now transpires that one casualty of the reduced funding available was to be the Severn Tunnel works and this was indeed the case at the time I spoke to the Committee. However,

the situation remains under review and more recent indications are that the work may be deferred into CP6 (2019-24) or could possibly even be reinstated for CP5.

Rail freight industry representatives on the Strategic Freight Network Steering Group are obviously pushing for a successful outcome to these further deliberations and any support the Committee may feel able to provide on this issue will be extremely welcome.

Yours sincerely,

*Robin C Smith*

Robin C Smith  
Welsh Representative  
Rail Freight Group.

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William Graham AM  
Chair  
Enterprise and Business Committee

08 February 2016

Dear William

During my evidence session with the Enterprise and Business Committee on 14 January, I said I would write to the Committee with some additional information.

### **Year on year comparison**

A table is attached at Annex A which summarises the changes between the 2015/16 Supplementary Budget and the 2016/17 Draft Budget.

### **Funding allocation to the Road and Rail Scheme Action**

The reduction in funding of £109m for the Road and Rail Action can be entirely attributed to the non-recurrent capital allocations for 2015/16 of £136.8m offset by a non-recurrent allocation of £27.4m for 2016/17. As discussed in Committee, I am awaiting confirmation of the outcome of bids for further capital allocations to support the National Transport Finance Plan. Any additional allocations are a matter for the Minister for Finance and will be reflected in the 2016/17 Final Budget.

### **Reduction in the Economy and Science revenue allocation**

As discussed at Committee, the budgets are subject to ongoing challenge, review and assessment. Any potential savings and underspends, as a result of slippage for example, are re-allocated in line with current priorities. As outlined in my Evidence Paper, I have ensured that their impact on public services,

growth and jobs is minimised. The table below provides an overview of the 2016/17 revenue reduction of £23,794k:

### Overview of Reductions

Action	£k	Narrative
Entrepreneurship	6,089	The timing of the drawdown of EU income drawdown in 2016/17 for Business Wales contracts reduces the requirement for core budget.
Property Infrastructure	6,050	Reduced requirement for core budget with income generated from the property portfolio.
Motorway and Trunk Roads	6,000	Assessment of the network maintenance programme has identified reductions in the revenue requirement as the programme focuses on capital maintenance in line with a spend to save approach
Finance Wales	240	Reduction in core funding as Finance Wales moves towards self funding.
Sectors - Tourism	1,684	Available following a detailed review of requirements such as Visit Wales
Sectors – All activity	2,342	Detailed review of delivery requirements and commitments across all sector activity which have no major impacts on services and programmes. The Open for Business rates scheme is an example of an initiative with low take up so funding reallocated.
Corporate Programmes	120	Detailed review of requirements which includes a reduced interest payments on loans with the National Loan Fund for example in line with repayment schedules.
Science	774	Reprofiling and the potential to co finance new programmes with external funding such as Horizon 2020 in delivering Ser Cymru.
ICT Infrastructure	495	Detailed review and reprofiling of delivery requirements for Superfast Exploitation.
<b>Total Savings</b>	<b>23,794</b>	

### Sectors & Business 2016/17 Budget Allocations

The sectoral approach has generated strong outputs in terms of jobs and economic growth with 38,000 jobs in 2014/15 and a strong performance forecast for 2015/16. The sector allocations in 2016/17 support the delivery of prioritised projects considered on a case by case basis. The budget plans

support both short and long term investment which is particularly important in achieving our goals in the Well Being and Future Generations Act 2015. The sector panels play a crucial role for engaging with businesses to inform policy. They have encouraged the priority sector teams to focus on strategic projects with the greatest impact on jobs and growth in the supply chain. Robust financial approval processes are in place to support decisions on applications for business support focussing on value for money, comprehensive due diligence and maximising the opportunity to lever private finance. There is a strong pipeline of projects in development.

I discussed a number of companies and initiatives that have achieved significant impact in terms of growth and jobs at the Committee such as Ford and the investment the Life Science Hub. Some further examples of successful interventions are as follows:

- The total Welsh Government funding of £12m will support the Institute for Compound Semiconductor Technology and has underpinned the successful bid to Innovate UK for a Catapult Centre in Compound Semiconductor Applications, with a further investment by the UK Government of £50m over 5 years. European clusters have demonstrated the ability to add significantly to regional economies by attracting global companies and encouraging start-ups through the provision of underlying research excellence;
- The £8.1m package to support training Airbus in Broughton will ensure that the composite technology is fully exploited and helps secure jobs in the long terms for the 6,000 staff on site; and
- Notable inward investment includes Deloitte establishing a new delivery centre creating 700 new jobs over 5 years increasing the jobs in Wales to around 1,100. This is supported by £3.5m funding. The success of the Cardiff Enterprise Zone strategy is further evidenced by the commitment of Legal and General to invest £400m in new office accommodation.

### **2016/17 Business rate schemes**

I am pleased that I have already been able to announce that it is our intention to extend the Small Business Rates Relief scheme for a further year in 2016/17. I will update Members on any decisions on new schemes as appropriate.

### **Revenue and capital funding for multiannual transport projects and programmes**

As was explained at the Committee, the majority of revenue funding provided is used to finance three main areas namely road maintenance, the rail franchise and providing support for bus services (including concessionary

fares and community transport). Together these activities will account for over £290m of the total revenue allocation. Given that each of these areas are crucial to Wales' social and economic well-being I expect this trend to continue in future years.

In relation to Capital funding, it is recognised that the National Transport Finance Plan sets out an ambitious programme of activity. Delivery of the programme will be reliant not only on the Transport division's core capital funding but also through other sources including European Funding, early access to borrowing powers (in respect of the M4) as well as exploring other innovative financing solutions. The challenge of entering into contracts that extend into future financial years without budgets for those years being agreed at that point is a matter I will be bringing to the attention of the Minister for Finance & Government Business.

### **Transparency of funding allocation for Active Travel infrastructure**

Further information on Active Travel will follow in respect of my attendance at Committee on 20 January.

I would like to take the opportunity to thank the Committee for the positive discussion of the budget priorities.

*Edwina Hart*



**Annex A - ECONOMY, SCIENCE AND TRANSPORT MAIN EXPENDITURE GROUP (MEG)**

**RESOURCE BUDGET - Departmental Expenditure Limit**

SPA	Actions	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
	Legacy SIF	1,203	0	0	1,203	357	1,560
<b>Sectors and Business</b>	Sectors	56,267	-16,500	-2,075	37,692	-6,378	31,314
	Entrepreneurship & Business Information	8,245	0	2,075	10,320	-6,089	4,231
	<b>Total Sectors and Business</b>	<b>65,715</b>	<b>-16,500</b>	<b>0</b>	<b>49,215</b>	<b>-12,110</b>	<b>37,105</b>
<b>Science and Innovation</b>	Innovation	4,377	0	0	4,377	1,342	5,719
	Science	5,569	0	0	5,569	-774	4,795
	<b>Total Science and Innovation</b>	<b>9,946</b>	<b>0</b>	<b>0</b>	<b>9,946</b>	<b>568</b>	<b>10,514</b>
<b>Major Events</b>	Major Events						

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major Events	major Events	3,918	0	0	3,918	0	3,918
	<b>Total Major Events</b>	<b>3,918</b>	<b>0</b>	<b>0</b>	<b>3,918</b>	<b>0</b>	<b>3,918</b>
<b>Infrastructure</b>	Deliver ICT Infrastructure	7,286	1,000	0	8,286	-1,495	6,791
	Deliver ICT Infrastructure - Non Cash	1,309	0	0	1,309	0	1,309
	Deliver Property Related Infrastructure	10,076	0	0	10,076	-6,050	4,026
	<b>Total Infrastructure</b>	<b>18,671</b>	<b>1,000</b>	<b>0</b>	<b>19,671</b>	<b>-7,545</b>	<b>12,126</b>
<b>Strategy &amp; Corporate Programmes</b>	Corporate Programmes	3,033	0	0	3,033	533	3,566
	Finance Wales	2,400	0	0	2,400	-240	2,160
	Strategy Programmes	551	0	0	551	0	551
	<b>Total Strategy &amp; Corporate Programmes</b>	<b>5,984</b>	<b>0</b>	<b>0</b>	<b>5,984</b>	<b>293</b>	<b>6,277</b>

<b>Motorway &amp; Trunk Road Network Operations</b>	Motorway & Trunk Road Operations	57,789	0	0	57,789	-6,000	51,789
	Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash	108,691	0	0	108,691	0	108,691
<b>Total Motorway &amp; Trunk Road Network Operations</b>		<b>166,480</b>	<b>0</b>	<b>0</b>	<b>166,480</b>	<b>-6,000</b>	<b>160,480</b>
<b>Rail &amp; Air Services</b>	Rail & Air Services	185,679	0	0	185,679	0	185,679
<b>Total Rail &amp; Air Services</b>		<b>185,679</b>	<b>0</b>	<b>0</b>	<b>185,679</b>	<b>0</b>	<b>185,679</b>
<b>Sustainable Travel</b>	Sustainable Travel	52,209	0	0	52,209	1,098	53,307
	Youth Concessionary Fares	5,000	0	0	5,000	4,750	9,750
<b>Total Sustainable Travel</b>		<b>57,209</b>	<b>0</b>	<b>0</b>	<b>57,209</b>	<b>5,848</b>	<b>63,057</b>

Improve Road Safety	Improve Road Safety	4,764	0	0	4,764	0	4,764
	<b>Total Improve Road Safety</b>	<b>4,764</b>	<b>0</b>	<b>0</b>	<b>4,764</b>	<b>0</b>	<b>4,764</b>
	<b>Total Resource - Economy, Science and Transport</b>	<b>518,366</b>	<b>-15,500</b>	<b>0</b>	<b>502,866</b>	<b>-18,946</b>	<b>483,920</b>

**CAPITAL BUDGET - Departmental Expenditure Limit**

SPA	Actions	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
Sectors and Business	Legacy SIF	10,325	0	0	10,325	-5,875	4,450
	Sectors	81,308	-45,500		35,808	53,269	89,077
<b>Total Sectors and Business</b>		<b>91,633</b>	<b>-45,500</b>	<b>0</b>	<b>46,133</b>	<b>47,394</b>	<b>93,527</b>
Science and Innovation	Innovation	500	0	0	500	2,562	3,062
	Science	2,479	0	0	2,479	0	2,479

	<b>Total Science and Innovation</b>	<b>2,979</b>	<b>0</b>	<b>0</b>	<b>2,979</b>	<b>2,562</b>	<b>5,541</b>
<b>Infrastructure</b>	Deliver ICT Infrastructure	26,304	-10,000		16,304	0	16,304
	Deliver Property Related Infrastructure	2,152	0	0	2,152	-17,967	-15,815
	<b>Total Infrastructure</b>	<b>28,456</b>	<b>-10,000</b>	<b>0</b>	<b>18,456</b>	<b>-17,967</b>	<b>489</b>
<b>Strategy &amp; Corporate Programmes</b>	Corporate Programmes	79	0	0	79	11	90
	<b>Total Strategy &amp; Corporate Programmes</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>11</b>	<b>90</b>
<b>Motorway &amp; Trunk Road Network Operations</b>	Motorway & Trunk Road Operations	62,550	-12,000		50,550	20,050	70,600
	<b>Total Motorway &amp; Trunk Road Network Operations</b>	<b>62,550</b>	<b>-12,000</b>	<b>0</b>	<b>50,550</b>	<b>20,050</b>	<b>70,600</b>
<b>Road &amp; Rail Investment</b>	Road & Rail Schemes	192,585	-136,800		55,785	27,434	83,219

	<b>Total Road &amp; Rail Investment</b>	<b>192,585</b>	<b>-136,800</b>	<b>0</b>	<b>55,785</b>	<b>27,434</b>	<b>83,219</b>
<b>Sustainable Travel</b>	Sustainable Travel	72,447	-5,000		67,447	0	67,447
	<b>Total Sustainable Travel</b>	<b>72,447</b>	<b>-5,000</b>	<b>0</b>	<b>67,447</b>	<b>0</b>	<b>67,447</b>
<b>Improve &amp; Maintain Local Roads Infrastructure</b>	General Capital Funding - Roads	13,667	0	0	13,667	0	13,667
	<b>Total Improve &amp; Maintain Local Roads Infrastructure</b>	<b>13,667</b>	<b>0</b>	<b>0</b>	<b>13,667</b>	<b>0</b>	<b>13,667</b>
<b>Improve Road Safety</b>	Improve Road Safety	6,900	0	0	6,900	0	6,900
	<b>Total Improve Road Safety</b>	<b>6,900</b>	<b>0</b>	<b>0</b>	<b>6,900</b>	<b>0</b>	<b>6,900</b>
	<b>Total Capital - Economy, Science and Transport</b>	<b>471,296</b>	<b>-209,300</b>	<b>0</b>	<b>261,996</b>	<b>79,484</b>	<b>341,480</b>

RESOURCE BUDGET - Annually Managed Expenditure							
SPA	Actions	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
Infrastructure	Deliver Property Related Infrastructure - Non Cash	25,000	0	-5,000	20,000	0	20,000
	<b>Total Infrastructure</b>	<b>25,000</b>	<b>0</b>	<b>-5,000</b>	<b>20,000</b>	<b>0</b>	<b>20,000</b>
Motorway & Trunk Road Network Operations	Motorway & Trunk Road Operations - Non Cash	47,318	0	-32,364	14,954	0	14,954
	<b>Total Motorway &amp; Trunk Road Network Operations</b>	<b>47,318</b>	<b>0</b>	<b>-32,364</b>	<b>14,954</b>	<b>0</b>	<b>14,954</b>
	<b>Total AME - Economy, Science and Transport</b>	<b>72,318</b>	<b>0</b>	<b>-37,364</b>	<b>34,954</b>	<b>0</b>	<b>34,954</b>

	Economy, Science and Transport - Summary	2015-16 1st Supp Budget June 2015	Non-Recurrent Adjustments	2016/17 Baseline Adjustments	2015-16 Revised Baseline	Budget Changes & Reprioritisation	2016-17 New Plans Draft Budget
	Resource DEL	518,366	-15,500	0	502,866	-18,946	483,920
	Capital DEL	471,296	-209,300	0	261,996	79,484	341,480
	<b>Total DEL</b>	<b>989,662</b>	<b>-224,800</b>	<b>0</b>	<b>764,862</b>	<b>60,538</b>	<b>825,400</b>
	<b>Total Annually Managed Expenditure</b>	<b>72,318</b>	<b>0</b>	<b>-37,364</b>	<b>34,954</b>	<b>0</b>	<b>34,954</b>



	Total - Economy, Science and Transport	1,061,980	-224,800	-37,364	799,816	60,538	860,354
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