

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 1 – The Senedd

Meeting date: 5 July 2018

Meeting time: 09.00

For further information contact:

Gareth Price

Committee Clerk

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Private pre-meeting

(09.00–09.15)

1 Introductions, apologies, substitutions and declarations of interest

2 Trunk Road Agents – State of Roads in Wales

(09.15–10.00)

(Pages 1 – 40)

David Evans, Network Manager / Deputy Head of Service, North and Mid Wales Trunk Road Agent (NMWTRA),

Ian Kenrick Hughes, NMWTRA, Business and Statutory Operations Manager.

Richard Jones, Head of Service, South Wales Trunk Road Agent (SWTRA)

David Bois, Business Manager, SWTRA

Attached Documents:

Research brief

EIS(5)–17–18(p1) NMWTRA

EIS(5)–17–18(p2) SWTRA

3 Local Government – State of Roads in Wales

(10.00–10.45)

(Pages 41 – 52)

Tim Peppin, Director of Regeneration and Sustainable Development, Welsh

Local Government Association (WLGA)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cllr Andrew Morgan, WLGA's Spokesperson for Transport, Environment and Sustainability

Attached Documents:

EIS(5)-17-18(p3) WLGA

Break

(10.45-11.00)

4 Welsh Government – State of Roads in Wales

(11.00-12.15)

(Pages 53 – 60)

Ken Skates AM, Cabinet Secretary for Economy and Transport

Sheena Hague, Deputy Director, Network Management

Andy Falley, Deputy Director, Infrastructure Delivery

Judith Cole, Deputy Director, Workforce and Social Partnerships

Attached Documents:

EIS(5)-17-18(p4) Welsh Government

5 Paper(s) to note

5.1 Additional information from the Cabinet Secretary for Economy and Transport following the session on Automation and the Welsh Economy – UK Industrial Strategy

(Pages 61 – 66)

Attached Documents:

EIS(5)-17-18(p5) Additional information

5.2 Additional information from the Minister for Welsh Language and Lifelong Learning following the session on Automation and the Welsh Economy

(Pages 67 – 76)

Attached Documents:

EIS(5)-17-18(p6) Additional information

5.3 Letter from the Cabinet Secretary for Energy, Planning and Rural Affairs regarding Precision Agriculture following the session on Automation and the Welsh Economy

(Pages 77 – 79)

Attached Documents:

EIS(5)-17-18(p7) Letter

5.4 Letter from the Chair of the Children, Young People and Education Committee regarding Forward work programme: areas of shared interest (Relates to item 9 on the agenda)

(Page 80)

Attached Documents:

EIS(5)-17-18(p8) Letter

5.5 Additional information from the Cabinet Secretary for Economy and Transport regarding financial costs of major trunk road projects – State of Roads in Wales

(Pages 81 – 83)

Attached Documents:

EIS(5)-17-18(p9) Additional information

5.6 Letter from Chair of the Finance Committee on the Welsh Government Draft Budget 2019–20 and stakeholder event summary of discussions

(Pages 84 – 91)

Attached Documents:

EIS(5)-17-18(p10) Letter

5.7 Letter from the Cabinet Secretary for Economy and Transport to the House of Commons Select Committee on International Trade

(Pages 92 – 95)

Attached Documents:

EIS(5)-17-18(p11) Letter

6 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting and the meetings on the 11 July and 19 July

7 Consideration of the Legislative Consent Memorandum arising from the Non Domestic rating (Nursery Grounds) Bill ('the Bill')
(12.15–12.30) (Pages 96 – 100)

Attached Documents:

EIS(5)–17–18(p12) Report

EIS(5)–17–18(p13) Legislative Consent Memorandum

8 Consideration of draft report – Selling Wales to the World
(12.30–12.50) (Pages 101 – 138)

Attached Documents:

EIS(5)–17–18(p14) Draft report

9 Consideration of scoping paper – Research and Innovation Wales: Pre–Legislative Scrutiny
(12.50–13.00) (Pages 139 – 144)

Attached Documents:

EIS(5)–17–18(p15) Scoping paper

Private de–brief
(13.00–13.15)

Agenda Item 2

Document is Restricted



**Asiant Cefnffyrdd Gogledd a Chanolbarth Cymru
North & Mid Wales Trunk Road Agent**

***National Assembly for Wales' Economy,
Infrastructure and Skills Committee Inquiry into
the State of Roads in Wales***

North & Mid Wales Trunk Road Agent

Written Response

24th April 2018



Yn gweithio ar ran
Llywodraeth Cymru
Working on behalf of the
Welsh Government

1. Introduction

- 1.1 Welsh Government (WG) appointed Gwynedd Council (GC) as the North and Mid Wales Trunk Road Agent (NMWTRA) in April 2012. NMWTRA are responsible for delivering the requirements of the Highways Act including the statutory 'duty to maintain' under delegated authority from WG. The relevant standard applicable to NMWTRA's role is the Welsh Government's Trunk Road Maintenance Manual (WGTRMM).
- 1.2 In relation to the scope of the Committee inquiry, NMWTRA has limited its comments to the trunk road network in North and Mid Wales.
- 1.3 Trunk road management arrangements in Wales were subject to a major Ministerial review during 2014/15 leading to a subsequent challenge to the two Trunk Road Agents to realise significant combined annual cost savings in the order of £14m. As part of the review process WG decided to internalise the planning function. From April 2015, WG have been wholly responsible for identifying and prioritising capital investment requirements for Trunk Roads.
- 1.4 As part of the review, NMWTRA modified its delivery model to internalise all core functions and introduced a major revision to its procurement arrangements with its public sector Partner Authority (PA) service providers. During 2016, WG accepted a further NMWTRA submitted business case to move the Welsh Transport Technology Consultancy function and the Traffic Wales information service into the Trunk Road Agents.
- 1.5 The role of the NMWTRA now includes the following functions:
- Inspection of highway assets to capture and update inventory, determine asset condition and identify safety hazards;
 - Technical administration functions including: Streetworks coordination, Third Party Claims and Development Control advice;
 - Following WG instruction, determine feasibility and undertake detailed design and implement major maintenance renewal, upgrade and minor improvement schemes;
 - Undertake routine and reactive maintenance on the Trunk Road network including winter maintenance, correcting safety defects and responding to emergency incidents within defined timescales;
 - Providing support to the Emergency Services;
 - Provision of advice to WG on operational matters, requests for service from the public and elected members;
 - Operate the WG Traffic Officer Service and network Control Room functions;
 - Departmental Representative for the A55 Design Build Finance Operate Contract.
 - To manage a combined capital and revenue budget allocation from WG of approximately £55m to £60m.
 - Operate, maintain and improve WG Technology Assets including variable message signs and tunnel mechanical and electrical installations.

- On behalf of WG, manage the Traffic Wales Communication service on an all Wales basis.

2. Background

- 2.1 Trunk Road management arrangements in Wales are subject to high levels of governance and scrutiny by WG to ensure value for money is being achieved and Agents maintain a high level of continuous improvement. Wales Audit Office undertake a financial audit on NMWTRA accounts on an annual basis.
- 2.2 Between 2007 and 2013 a number of successful external audits commissioned by WG have been undertaken by Halcrow 2007, EC Harris 2008, Performance Audit Group(PAG) 2011 and 2012 and EC Harris in 2013. The EC Harris Audit in 2008 included a benchmarking exercise across Wales and with similar services provided by the private sector in Scotland. The successful 2010 Agency review confirmed that the public sector model operating in Wales in the context of the Welsh economy was providing Value for Money and the Agency arrangements were renewed in 2012. The WG letter of appointment commented as follows: *“This is a very positive result for the unique public sector delivery model that we have in Wales, which will now continue after its cost effectiveness was established in comparison with alternative private models as part of the review”*
- 2.3 NMWTRA have continued with a comprehensive programme of continuous improvements since 2012 and this has included further enhancement to governance measures for the operation of the Agent’s supply chains. NMWTRA and its supply chain also operates within an accredited Quality Management System (QMS).

3. The current condition of Trunk Roads in Wales

- 3.1 The Trunk Road network within North and Mid-Wales is highly variable in terms of the level of engineered or designed sections of road. Approximately 80% of the network has evolved over the last 150 years and does not meet current design standards in terms of design speed, vertical and horizontal alignment, carriageway construction, drainage and other associated highway infrastructure. The network comprises significant lengths of dual carriageway notably on the A55, A494 and A483. There are a number of high-level mountain passes with a predominantly rural single carriageway network. The network also passes through a significant number of towns and villages. The overall makeup of the network presents a number of challenges from an operational and maintenance aspect.
- 3.2 With regards to assessing the condition of Trunk Roads, NMWTRA implements a comprehensive inspection programme in accordance with WGTRMM for all highway assets including:
- Highway pavement/carriageway;
 - Traffic signs and lining;
 - Drainage systems;
 - Geotechnical assets including embankments, cuttings, rock catch fencing and rock netting;
 - Highways structures including bridges, tunnels and retaining walls;

- Technology, Mechanical, and Electrical (M&E) assets including Variable Message Signs (VMS), pumps, fans and street lighting;
- Environmental / soft estate;
- Vehicle Restraint Systems (VRS).

3.3 The inspection programme has two discrete purposes, which are; firstly, to identify Category 1 defects that represent an immediate hazard to the travelling public and enable early rectification in accordance with WGTRMM defined timescales. NMWTRA directly manage Category 1 defect repairs through its supply chain.

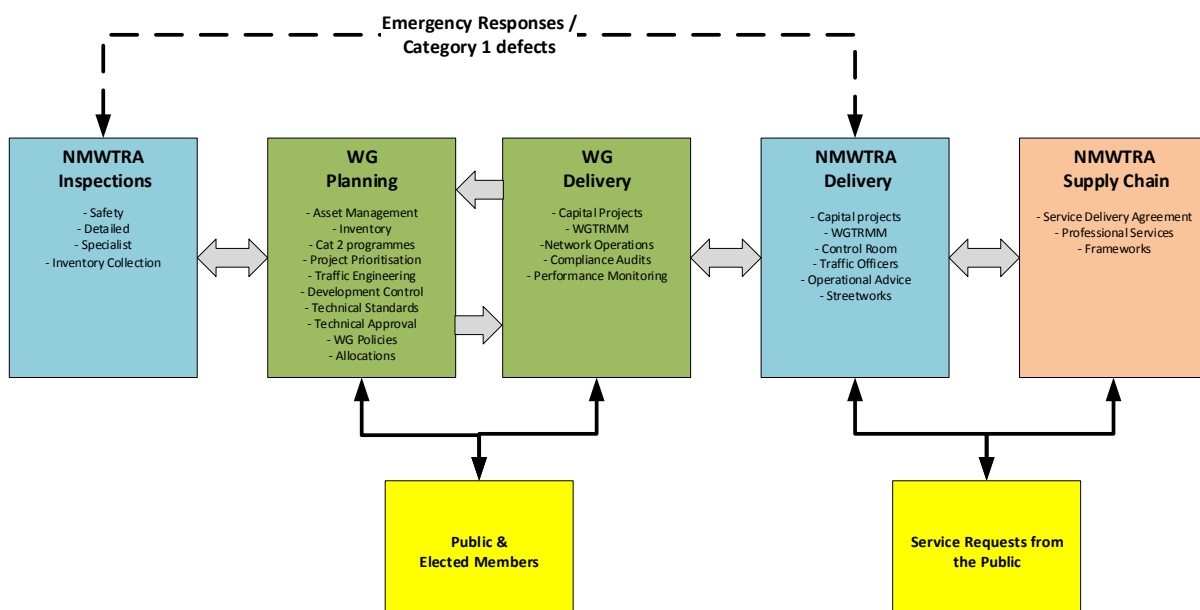
3.4 Category 1 and 2 defects identified by NMWTRA and Category 1 annual expenditure for a network length of 1,100 Km over the last 3 years is tabulated below.

Defects	2017/18	2016/17	2015/16
Category 1	6,192	5,997	6,640
Category 2	13,608	14,592	9,754

	2017/18	2016/17	2015/16
Category 1 Expenditure	£5.0m	£5.4m	£5.2m

3.5 The second purpose of the inspection programme is to identify asset condition related Category 2 defects. Condition data is provided to WG in order that within the planning functions WG undertake, available budgets can be prioritised across Wales to address asset condition related defects in the most efficient manner. The Category 2 data provided by NMWTRA is also supplemented by further condition surveys procured by WG to identify carriageway surfacing skidding resistance (SCRIM surveys), carriageway structural condition and residual life (Deflectograph surveys). WG then provide prioritised programmes of maintenance works to NMWTRA for delivery through the Agent’s supply chain. The interaction and respective roles are illustrated in Figure 1 below.

Figure 1: WG/NMWTRA Management Model



4. Value for Money and NMWTRA Delivery Mechanism

- 4.1 The 2014/15 Ministerial review and subsequent changes to the NMWTRA operating model have assisted in achieving significant cost savings and improved value for money in Trunk Road operation and maintenance. It is of significant note that the public sector delivery model enables VAT recovery on all Trunk Road expenditure typically in the order of £20m per annum across Wales.
- 4.2 The cost saving business cases submitted by NMWTRA to WG in April 2015 have now been fully implemented. An interim audit undertaken by Arcadis (previously EC Harris) on behalf of WG in November 2017, has confirmed that the NMWTRA cost savings component of the overall £14m savings forecast for 2016/17 has been realised.
- 4.3 The NMWTRA network has a large geographical area extending over approximately two thirds of Wales. In order to achieve effective, efficient delivery of routine and reactive maintenance functions including winter maintenance, NMWTRA's delivery model is based on a strong synergy with the operation and maintenance of the local county road network. This enables labour resources to be sourced locally improving response times particularly outside normal operating hours.
- 4.4 NMWTRA's overall procurement strategy ensures that opportunity for local, Welsh based Small and Medium Enterprise (SME) suppliers is maximised. NMWTRA is continuously improving levels of transparency and benchmarking, combined with competition, to ensure that services are provided at market rates and continues to provide value for money.
- 4.5 The NMWTRA integrated model enables the benefits of economies of scale and cost sharing opportunities to be maximised and shared between PA's and WG. Transparency through an open book accounting methodology and audit processes ensures fixed costs are apportioned on an appropriate basis. The model enables WG to make use of a significant number of highway depots (40 No.) and major plant items distributed across North and Mid-Wales, enabling optimal operations to be achieved particularly for winter maintenance and emergency response. This is an exemplar model of regional collaboration between Local Authorities and with Central Government.
- 4.6 Mutual aid arrangements across multiple PA's can deal with exceptional events resulting from severe adverse weather or major road traffic collisions (RTC). WG benefit from significant resources and associated resilience on a shared cost basis.
- 4.7 Routine and reactive maintenance functions are procured through Partner Local Authorities utilising a combination of in-house resources and PA sourced SME private sector suppliers. Approximately 50 to 60% of this work is procured from private sector suppliers through competitive processes ensuring high levels of value for money.
- 4.8 The above model ensures that the labour resources associated with an integrated winter maintenance service can be retained outside the winter period on a cost effective basis by deploying those resources, supplemented by SME private sector resources on non-winter maintenance related maintenance functions. The overall efficiencies of this model are shared between WG and PA's.

- 4.9 NMWTRA operates in partnership with WG adopting common public sector values and a collaborative culture, which avoids the costly non-productive aspects found in many more contractual arrangements.
- 4.10 For capital delivery projects instructed by WG, NMWTRA provides delivery through a combination of its public sector consultancies and its private sector supply chain comprising the following framework contracts:
- NMWTRA Contractor Framework for multi-disciplinary construction work
 - NMWTRA Surfacing Framework
 - NMWTRA Consultancy Services Framework
- 4.11 All NMWTRA Framework Contracts are procured competitively, on a quality / cost basis with subsequent works packages being awarded through a mini competition process. This ensures that all capital delivery works are procured at market rates and demonstrates ongoing value for money. The establishment of frameworks enables long-term working relationships with suppliers to be developed and this assists with smooth delivery and rapid response to programme requirements.

5. Minimising Disruption

- 5.1 NMWTRA fully recognises that every effort to minimise disruption to traffic during roadworks must be made due to the potential impact on journey times and wider economic factors, particularly during high seasonal traffic flows. NMWTRA adopts a range of measures to mitigate against traffic disruption for its routine, reactive and capital delivery programmes including the following:
- A55/A494/A483 Dual Carriageway and Tunnel night-time working and maximising use of road-space;
 - Trunk Road works embargo periods;
 - Contract specification programming and resourcing requirements;
 - Traffic Officer Rolling Road Block interventions;
 - Off peak daytime traffic management;
 - Effective statutory Streetworks coordination.
- 5.1.1 *A55/A494/A483 Dual Carriageway night-time working* - The default position for dual carriageway maintenance and improvement works is that they are undertaken at night and of the typical annual expenditure for this network type of £10m, approximately £9m or 90% (2017/18) of this work is undertaken at night. Not all work can be done at night due to the nature of the work being undertaken and associated traffic management arrangements required or for environmental noise restrictions. When road-space is generated on the dual carriageway, network all-possible work activities are undertaken at the same time to avoid further traffic management requirements. This will include all routine cyclic maintenance operations, inspection functions, Category 1 and 2 repairs and surveys.
- 5.1.2 *Trunk Road Embargo periods* - WG and NMWTRA recognise that the Welsh Trunk Road network is subject to significant seasonal variation due to the level of tourist attractions within Wales. WG operate formal embargo periods that prohibit any

programmed works during all Bank and School Holiday periods. However, during the embargo period there may be the need for reactive maintenance works due to Category 1 defect safety implications or emergency works resulting from Road Traffic Collisions (RTC).

- 5.1.3 *Contract specification programming and resourcing requirements* - For all capital delivery undertaken on the dual carriageway network, NMWTRA ensures that its contract specification applies the necessary measures to mitigate against traffic disruption. This will include for night-time working where practicable. When this is not achievable, then extended working days, 24 hr working and 7 day per week working is specified to ensure programme duration and the period of any traffic disruption is kept as short as possible. This approach requires increased contractor resourcing and extended working hours. WG and NMWTRA accept that this approach attracts a premium in terms of cost but that the traffic congestion that would be experienced if this approach were not taken would be unacceptable.
- 5.1.4 *Traffic Officer Rolling Road Block interventions* - NMWTRA have operated a Traffic Officer Service on the A55/A494 dual carriageway corridor since 2011. The service has been expanded in 2018 to now include patrols on the A55 across Anglesey and the A483/A5 corridor through Wrexham. The service has enabled NMWTRA to undertake rolling roadblocks on the dual carriageway network that facilitates short-term road closure up to around 10 minutes. This has enabled emergency repairs e.g. filling of potholes or removal of debris to be undertaken with minimal traffic management intervention. This has significantly improved levels of network resilience and reduced congestion when compared to traditional static traffic management methods.
- 5.1.5 *Effective Statutory Streetworks Coordination* - The statutory street works requirements places responsibility on NMWTRA to coordinate its roadworks with neighbouring Local Authority Highways Authorities. Since April 2016, NMWTRA took responsibility for this function and is continually improving its delivery through the Welsh Government streetworks system and this includes the use of www.roadworks.org information.

6. Maintenance programme delivery challenges

6.1 There are a number of challenges that impact on the delivery of maintenance programmes particularly those associated with capital renewals through resurfacing programmes and replacement of major structural components for example deck joint replacement including:

- Fluctuation in budget allocations with funding opportunities regularly arising in quarter four that can place significant pressure on NMWTRA's supply chain and road space availability;
- An annual budget cycle that does not permit effective forward planning and programming of more significant maintenance or upgrade schemes;
- Constrained budgets that lead to assets being operated to failure rather than replaced through planned interventions leading to urgent/emergency scheme implementation;
- Working within Trunk Road embargo periods creates challenging programming arrangements;

- Incomplete Asset Management Systems to support longer-term whole life cost approach to asset management and associated maintenance programmes;
- Seasonal weather aspects relating to resurfacing during the winter months.

6.2 In order to meet these challenges NMWTRA has established an agile supply chain enabling the above delivery challenges to be mitigated to an extent by being able to scale up or down to meet in year and annual budget priorities. The benefits of a public sector core capability with vested knowledge in the network avoids a “cold start” and delay to project delivery. The extended resources available within NMWTRA’s private sector frameworks enables a rapid response to changing WG requirements to be met in a more cost effective manner.

6.3 NMWTRA has adopted a delivery strategy that enables it to manage the above challenges by focussing on scheme preparation during financial year Quarters 1 and 2 with construction phases programmed for autumn / winter delivery. The profile of capital funding received by NMWTRA is illustrated in Figures 2 & 3 below.

Figure 2: NMWTRA funding profile 2017/18

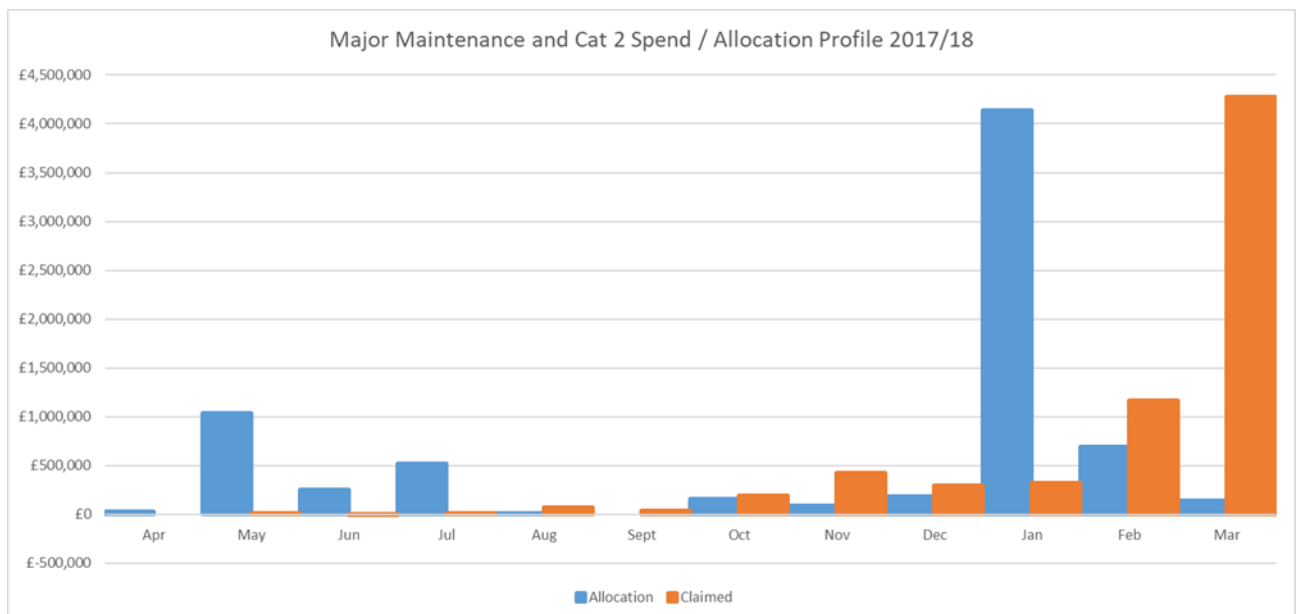
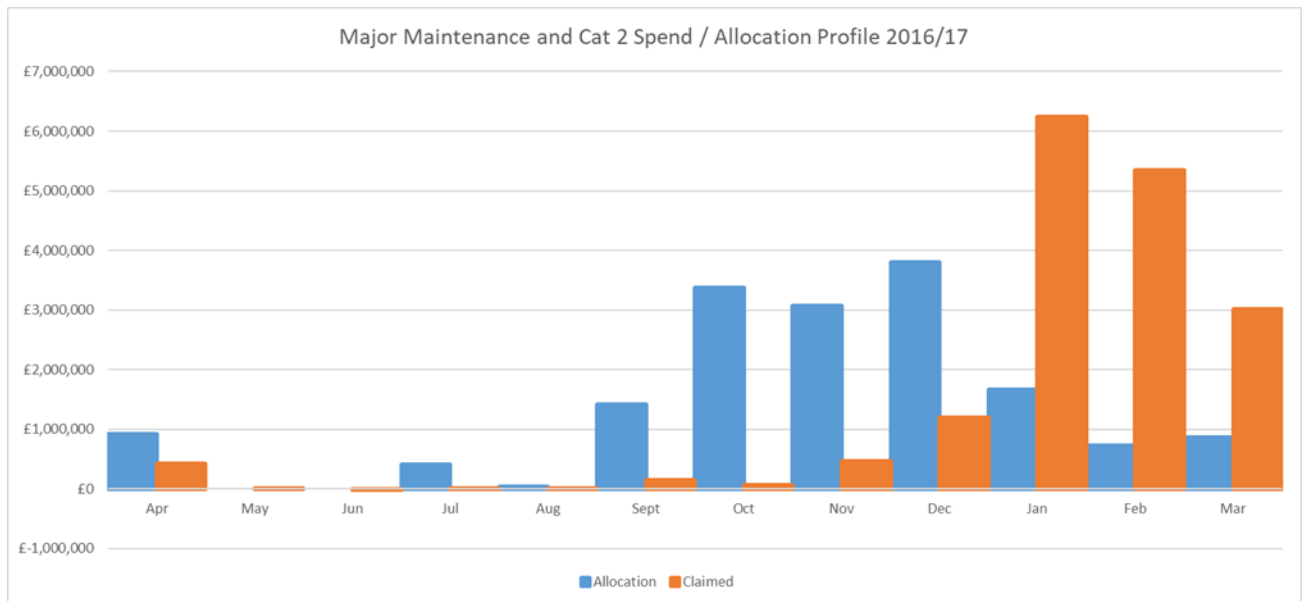


Figure 3: NMWTRA funding profile 2016/17



6.4 It is evident that a significant proportion of funding is not received until Quarters 3 & 4. This imposes significant pressure on both NMWTRA’s supply chain and the available road-space required to undertake a significant works programme.

6.5 The impact that this has on the supply chain inevitably leads to a pricing premium with contractors being overstretched and NMWTRA being required to use its second or third place framework contractors based on cost, to enable the overall capacity to be provided. This leads to inefficiencies from a cost perspective and the pressure on road-space can lead to more significant traffic congestion. Implementing works in adverse climatic conditions can affect the durability and service life of assets in particular surfacing. If a more balanced funding profile were to be provided on a five yearly rolling programme then the following benefits could be achieved:

- Increased scope to combine projects and maximise road space utilisation with associated cost savings and reduced traffic disruption;
- Reduced project risk due to time and weather factors;
- More cost effective whole life design solutions could be implemented;
- More efficient use of supply chain;
- Increased scope for stakeholder engagement and notification;
- Early construction programmes would reduce the traffic congestion associated with an intense Q4 construction period;
- Surfacing materials would be more likely to achieve their expected design life;
- Reduced number and level of maintenance interventions.

6.6 Reducing investment in programmed and preventative maintenance increases the extent of reactive maintenance necessary to maintain operational safety of the network. The balance between programmed and reactive maintenance should be optimised within available funding due to the high costs and disruption associated with a reactive approach. There has been a UK wide move to thin surfacing course systems (TSCS) for environmental reasons. This material has a service life of between 8 and 12 years compared to the historical Hot Rolled Asphalt (HRA) surfacing with a

service life of 25 to 30 years. This means that to maintain consistent surfacing condition the renewal strategy should be to replace surfacing twice as often and therefore approximately double the level of investment. However, instead of increasing investment there has overall been a steady reduction in funding since 2012. There remains scope for improving levels of preventative maintenance treatments and use of high durability surfacing materials to increase the operational life of assets and reduce the number of maintenance interventions.

7.0 Major enhancement projects

7.1 These projects generally fall outside the roles and responsibilities of NMWTRA.

8.0 Well-being of Future Generations (Wales) Act & Active Travel (Wales) Act

8.1 NMWTRA now apply the Welsh Transport Appraisal Guidance (WelTAG) process to all significant upgrade schemes that it manages. This process fully considers the above Acts and as far, as is practicable all suitable measures are included within relevant scheme designs.

9.0 Concluding comments

9.1 A move to a five-year rolling programme of funding linked to a more holistic approach to asset management has significant potential to improve efficiency in the delivery of maintenance and upgrade schemes, improve whole life costs and reduce levels of traffic disruption.

9.2 The current Trunk Road Agent model has proven, through repeated review and audit processes that it is providing good levels of value for money through its public and private sector supply chains operating within robust governance and performance management regimes. The operation of an integrated service model provides significant economies of scale and an ability to optimise service delivery to the benefit of WG and Local Authorities.

9.3 The NMWTRA supply chain creates significant opportunities for Welsh based SME's to undertake Trunk Road works engaged directly by the Agent through frameworks or as part of the extended supply chain provided by Local Authorities. This significantly benefits both the local and national Welsh economies and assists in creating and maintaining quality local employment opportunities.

9.4 NMWTRA would like to thank the Committee for the opportunity to provide this statement and welcomes any questions that the Committee may have in relation to it.

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South Wales Trunk Road Agent

Managing and Improving
Motorways and Trunk Roads
through South Wales



Asiant Cefnffyrdd De Cymru

Rheoli a Gwella'r Traffyrdd
a'r Cefnffyrdd yn Ne
Cymru

National Assembly for Wales' Economy, Infrastructure and Skills Committee Inquiry into the State of Roads in Wales

South Wales Trunk Road Agent Written Response

18th April 2018



National Assembly for Wales' Economy, Infrastructure and Skills Committee: Inquiry into the State of Roads in Wales

South Wales Trunk Road Agent Written Response 18th April 2018

1. Introduction

- 1.1 Neath Port Talbot County Borough Council are appointed as Agents to the Welsh Government (WG) to act on their behalf in managing, improving and maintaining the strategic road network in South Wales on a day to day basis.
- 1.2 Neath Port Talbot operate under delegated authority from WG under the Highways Act 1980 and the required scope and service levels are as defined in the Welsh Government Management Agent Agreement (WGMA).
- 1.3 The role of Agent includes the following:-
 - Provision of technical advice
 - Operational management of the network including incident management and adverse weather planning
 - Inspection of all highway assets to determine asset condition and the identification of defects
 - Delivery of routine, cyclical and reactive maintenance
 - Design and deliver planned major maintenance renewal, upgrade and improvement works
 - Operation of the WG Traffic Officer service and network control room FunctionsOperational management of the WG technology assets (since April 2017)
- 1.4 The relevant standard applicable to SWTRA's role in the management of the network is the Welsh Government' Trunk Road Maintenance Manual (WGTRMM)

2. Background

- 2.1 Since 2003 the Trunk Road Agent arrangements in Wales have been through a number of reviews and changes. The original 8 Agent model in 2003 was rationalised following a review to a 3 Agent model in 2006.
- 2.2 These new arrangements since 2006 have placed greater emphasis on continuous service improvement, improved business management, increased competition, transparency and efficiency in terms of service delivery whilst ensuring business continuity.
- 2.3 These arrangements have been subject to regular audit and review and have included a benchmarking exercise with that of a private sector model
- 2.4 The Agency review conducted in 2010 confirmed that the public sector model operating in Wales in the context of the Welsh Economy was providing Value for Money leading to renewal of the arrangements but reducing the number of agents from 3 to 2

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- 2.5 The WG letter of appointment commented as follows –
“This is a very positive result for the unique public sector model that we have in Wales, which will now continue after its cost effectiveness was established in comparison with alternative private models as part of the review”.
- 2.6 On the 11th November 2014, the Minister for Economy, Science and Transport issued a statement to the Welsh Ministers in relation to the Management of the Trunk Road Network and Motorways in South Wales.
- 2.7 Within the statement, the Minister challenged Neath Port Talbot County Borough Council (and their counterpart in North Wales, Gwynedd County Council) to demonstrate cashable savings to the value of £14m across Wales in both their Management Unit Cost, and in conjunction with its public sector supply chain partners, the delivery of Routine Maintenance costs and Inspection costs by 31st March 2018. This was to be achieved via a combination of operational efficiency savings but also a reduction in the highway maintenance service standards
- 2.8 Within the statement by the Minister, the intention to transfer all planning functions and delegations from the Agent to the Welsh Government was also announced. This transfer took place on 1 April 2015, with 9 members of the Agent team in South Wales transferring under TUPE to the Welsh Government. This change instigated a fundamental shift in the responsibilities of the Agent.
- 2.9 Following this change the Welsh Government has taken on all responsibilities relating to management of the highway asset including the planning and prioritising of all works to be undertaken on the highway.
- 2.10 From this date the role of the Agent shifted to that of a delivery agent, responsible for delivering the programme of works that has been decided upon, prioritised and funded by the Welsh Government.
- 3. The current condition of roads in Wales and whether the approach to funding and delivery of maintenance programmes for the local road, trunk road and motorway network in Wales is effective, managed so as to minimise disruption to road users, and provides value for money.**
- 3.1 Based on the above Scope, the Agent has limited their comments in this report to the trunk road and motorway network in South Wales.
- 3.2 We have provided our comments under five broad headings of i) maintenance and inspection, ii) funding, iii) delivery mechanisms, iv) minimise disruption and v) value for money.

3.3 We understand that comments in relation to the asset management strategy including the planning and prioritisation of renewals /major maintenance of the trunk road network will be addressed by a separate report prepared by Welsh Government Transport officials from the Network Management Division.

4. Maintenance and Inspection

4.1 The trunk road network within South Wales is varied with the M4 motorway connecting to a network of inter urban dual carriageways in the East of the network including the A470,A465 & A449. To the West of Swansea there is combination of dual carriageways and non- engineered rural single carriageway including A40, A48, and A477 & A483. The traffic volumes experienced across the network vary greatly from circa 100,000 vehicles per day on the motorway around Cardiff to circa 10,000 vehicles per day on the rural road network. This can pose operational challenges which are covered in the minimising disruption section (iv)

4.2 In the delivery of Routine & Cyclic maintenance which is intended to keep highway infrastructure safe, serviceable and reliable, SWTRA's principal function is in the delivery of a comprehensive inspection programme across all highway assets

4.3 The inspection programme has two key purposes, firstly from a highway Safety perspective to identify Category 1 defects which present an immediate hazard to the travelling public. These defects have defined timescales for repair which include making safe within a period of between 2hrs and 24hrs dependant on the classification of the road and with a permanent or holding repair completed within 28 days.

4.4 The Inspection programme second purpose is to provide WG with asset condition data (classified as category 2 data) which can then be considered in conjunction with further condition survey data such as SCRIM (used to identify surfacing skidding resistance) and Deflectograph (carriageway structural condition) to enable a full assessment of the carriageway condition to be understood. This then enables WG to consider and prioritise across Wales renewal schemes to address the asset condition defects in the most efficient manner.

4.5 Intervening with planned capital renewal schemes at a suitable point in an assets life can often restore it to its specified condition.

4.6 It is of note that on average during the past 10 years, the level of Capital investment in major maintenance on the trunk road network had fallen. The impact of this can be an increase in the number of unplanned repairs which can lead to inefficient use of resources, increased costs and the number of network interventions

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- 4.7 In addition to this, since the late 1990s in order to address environmental concerns in relation to both noise and aggregate use there has been a change in the type of surfacing material being used. The traditional Hot Rolled Asphalt has been phased out of use and replaced with a Thin Surface course systems material which has a life expectancy ranging from 9 to 15 years as opposed to HRA which had a life expectancy circa 20 -25 years. There is therefore an argument that the level of funding should have been increased to address the shorter life expectancy range of the new materials
- 4.8 Increased capital investment could allow for further major planned maintenance to take place to arrest the decline in the overall asset condition enabling more cost effective approach to maintenance
- 5.0 Funding**
- 5.1 A key consideration to the funding levels is timing of the funding allocation. The Agent operates on an annual cycle of Capital funding for scheme development and construction and Revenue funding for maintenance and inspection activities.
- 5.2 Notification of the funding available and its associated scheme and work programmes is usually provided to the Agent in April or May of each financial year (the financial year runs from April to March).
- 5.3 The level of funding provided at the start of each year, particularly in relation to Capital, is variable and can change year on year. The late notification of budgets and work programmes can put pressure on the delivery profile of the Agent and its supply chain with the first quarter of the year effectively lost from a delivery perspective.
- 5.4 As a result of this, work programmes are inevitably profiled towards the last two quarters of the financial year, providing a year end spike in planned works, with works also at risk of adverse weather.
- 5.5 Early notification of budgets and works programme prior to the start of the financial year, or a commitment to a five year budget cycle, would alleviate these pressures
- 5.6 In addition to the planned budget and works profile, the spike of works in the final quarter is regularly heightened by the need to spend funds that have been unspent elsewhere in the WG. This final quarter push has happened in each year of the Agent's being, and places further pressure on the delivery mechanisms of the Agent.

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- 5.7 Whilst SWTRA welcomes the opportunities to undertake additional works as finance becomes available other benefits could be achieved by supplementing this with early notification of an initial budget each year. The ability to progress works during the early part of the year and then to supplement with additional budget would assist with programming of works. This would smooth out the delivery profile and impact positively on congestion management and road space interventions.
- 5.8 It is also of note that as a result of the current funding profile, a high level of surfacing work is undertaken in the cold weather, during temperatures at which some suppliers / applicators of proprietary products will not guarantee their product / work.

6. Delivery

- 6.1 The SWTRA operating model agreed with Welsh Government at its inception, is that of an enabling organisation but with all delegated functions delivered directly by the management unit in order to provide effective control and consistency.
- 6.2 Routine and Cyclical maintenance is undertaken by the Public Sector partners of the SWTRA. The use of public sector partners provides the Welsh Government with the benefits (where appropriate) of a shared basic infrastructure including the use of Depots and Plant. This is especially of benefit in rural areas and allows for a timely response to emergencies on the network and winter maintenance activities.
- 6.3 SWTRA has continued to drive continuous improvement through its public sector supply chain. Since 2009 rationalisation has been achieved by encouraging the Local Authorities to form three Regional Maintenance Partnerships, with the benefits of cross border working, improved consistency and a lower level of administration yielding both improved compliance and efficiency savings.
- 6.4 The Public Sector partners of the Agent now operate within a multi-year Service Collaboration Agreement with the emphasis on collaborative, transparent and efficient working practices, shared amongst all partners. The arrangements in place also provide flexibility and resilience have over the past two years demonstrated the ability to scale up and support via their own supply chain arrangement during periods when additional funding has been made available providing short term support to the capital maintenance delivery.
- 6.5 Capital Maintenance and Improvement Programmes are delivered via competitively procured multiyear Framework Construction contracts and Consultancy contracts with the Private Sector. Rationalisation of these

contracts in 2010 led to a reduction in procurement costs and efficiencies of scale by merging the Structure and Highway contracts into one.

- 6.6 The use of Framework Agreements has greatly enhanced the ability of the Agent to scale up for Capital works quickly and efficiently whilst ensuring value for money. The Frameworks are competitively tendered, but enable works of a certain value to be delivered through the contractors without the need for the costs and time taken to tender each individual project.
- 6.7 There are clear benefits to planning the capital works programme on a multi-year basis, moving away from the pressures that designing and constructing a scheme in one year can bring. This provides for additional planning time to consider the designs fully and to limit the extent of compensation events / design changes that can arise during a project, leading to increased costs.

7. Minimise Disruption

- 7.1 SWTRA fully recognises that every effort to minimise disruption to traffic flows during roadworks must be made due to the potential impact on journey times and its effect on the economy. SWTRA adopt a range of measures to mitigate against traffic disruption for its routine, reactive and capital delivery programmes as illustrated below.
- 7.2 The Agent adheres to the Welsh Government National Approach for Road and Street Works in Wales Policy
- 7.3 SWTRA and WG recognise that the Trunk Road Network in Wales is subject to significant seasonal variation due to the level of tourist attractions in Wales. WG operate formal embargo periods that prohibit any programmed works during all bank holidays with additional restrictions placed for the wider school holiday periods.
- 7.4 In South Wales the Agent also operates to an agreed Traffic Sensitivity Document. The purpose of this document is to provide a schedule of when routine activities and closures can take place on the network without causing significant congestion. These times are derived from network traffic flows measured on the network. The rural and lower trafficked routes are generally permitted to work outside of peak traffic periods between 09.30 - 15.30
- 7.5 On heavily trafficked routes, a key mechanism to reduce disruption is to impose night time working where works access are restricted to 19.00 to 06.00 Monday to Friday. Whilst this minimises disruption, it does come at a cost. On average night time work invites a premium on cost of approximately 20%, which can place pressure on budgets. However, this is an agreed and practical way forward.

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- 7.6 Success has been achieved by utilising road closures at night to carry out maintenance activities where suitable diversion routes are in place. This has led to a reduction in lane closures during the day. To use one route as an example, the A465 between Dowlais to Cefn Coed was historically subject to 16 day time static lane closures for maintenance activities per year. This has been replaced by 4 night time complete closures to carry out all maintenance activities as well as to carry out additional works leading to savings from economies of scales and traffic management savings which offset the premium paid for night time working.
- 7.7 Coordination with Local Authorities and Utility Companies is essential to minimising corresponding disruption or work clashes on the network. Utilisation of web based mapping systems have enabled interested parties to gain an overview of works planned on the network to encourage coordination. These systems highlight, for example, clashes caused by simultaneous planned works on primary and diversionary routes.
- 7.8 The Welsh Government has supported the use of such systems by the Agent and Local Authorities with funding provided for all parties to utilise the Elgin system, www.roadworks.org. Work continues to extend the use of this system as a long term planning tool for all.

8. Value for Money

- 8.1 As highlighted in section 2 of this report, the Agent has been subject to historical value for money reviews, the results of which have been positive.
- 8.2 The Agent is currently providing evidence of the successful meeting of the cost saving challenge set by the Minister in 2014. The cashable savings target set by the Minister's officials following the statement was a £14m reduction in maintenance and inspection costs across Wales.
- 8.3 Working with the Welsh Government, the proportion of this target relevant to South Wales has been met by a variety of business cases aimed at increased efficiencies, streamlined operations, internalisation of functions and innovative methods of working, utilising appropriate technology advancements where available.
- 8.4 Pressure on the revenue maintenance budgets available from Welsh Government has inevitably led to a reduction in the service specification for maintenance on the Trunk Roads and Motorways in Wales. The Specification, known as the Welsh Government Trunk Road Maintenance Manual, has received annual revisions by Welsh Government since 2015.
- 8.6 Whilst safety standards and legislative compliance have not been compromised, elements of the reputational works previously in the

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standard, sometimes referred to as the 'nice to haves' have been reduced or removed from the standard. Examples of this would include the frequencies of grass cutting and sign cleaning in certain areas. This has inevitably had an impact upon the reputation of the road network from a visual and use perspective.

8. Conclusion

- 8.1 SWTRA believe that the current trunk road Agent model has proven through rigorous and robust audits that it is providing a good level of service delivery through its public and private supply chains.
- 8.2 A review of funding arrangements with a move to a five year rolling programme would be beneficial in enabling better planning and allocation of resources and delivery of work in a phased manner across the whole of the financial year.
- 8.3 If five year budgets cannot be achieved, then early notification of the annual budget and programme would enable better planning and a more balanced delivery profile through the year.
- 8.4 We would urge the Welsh Government to continue to consider the balance between material choice and budget provision. Asset life planning and material life expectancies need to be considered in the planning cycle of the network.
- 8.5 The Agent welcomes the continued investment in software to drive improved intervention coordination with Local Authority highway works and will continue to assist in further and future developments and improvements of these systems and operations.
- 8.6 Whilst the current Ministerial Savings target has been delivered, the Agent is committed to continue to identify opportunities for efficiency savings, innovative methods of working and the application of new technologies as they become available in the industry.
- 8.7 SWTRA would like to thank the Committee for the opportunity to provide this statement and welcomes any questions that the Committee may have in relation to it.

<p>Richard Jones, Head of Service - South Wales Trunk Road Agent, Unit 12 Llandarcy House, The Courtyard, Llandarcy, Neath SA10 6EJ</p>
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INTRODUCTION

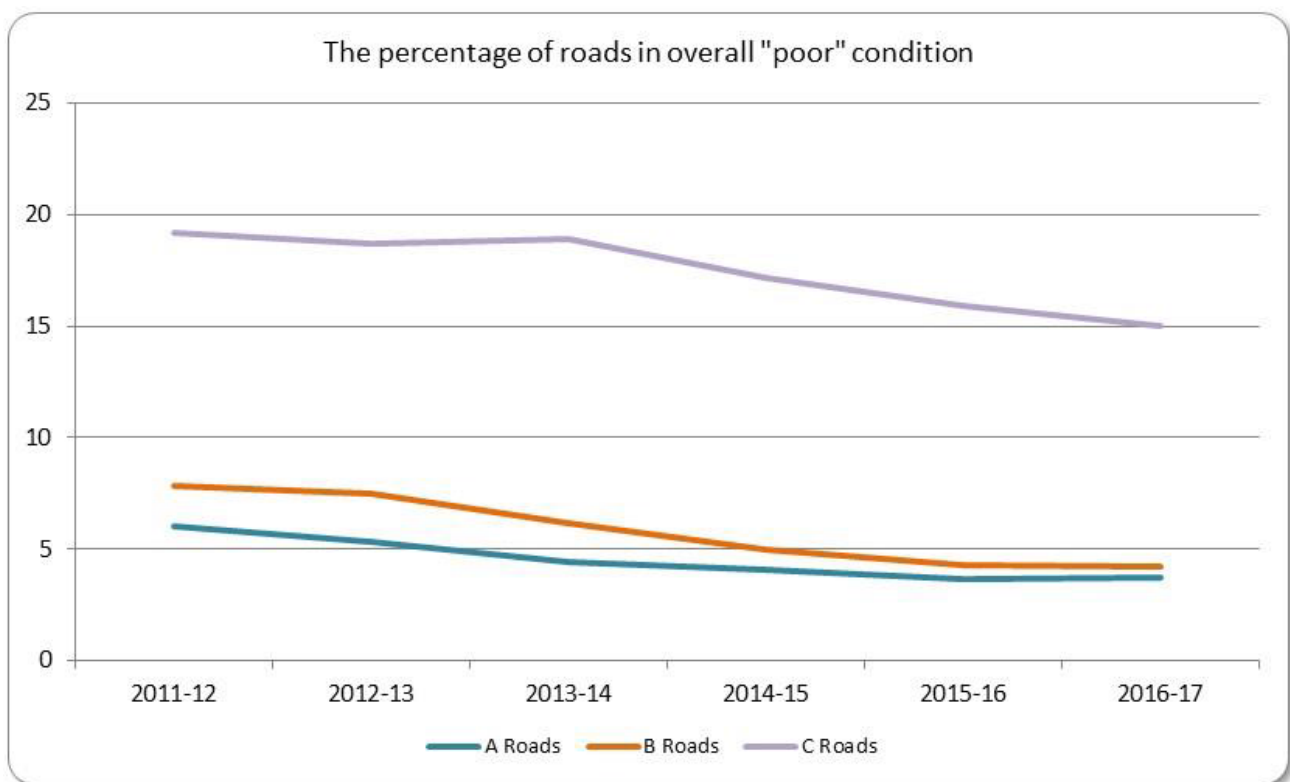
1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities, the three fire and rescue authorities, and four police authorities are associate members.
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve.
3. WLGA welcomes this opportunity to comment on the state of highways in Wales in response to the Economy, Infrastructure and Skills Committee's call for evidence for its inquiry on this subject.
4. Comments are offered below under a range of headings which correspond to matters listed in the terms of reference of the inquiry.

The current condition of highways in Wales

5. The condition of highways in Wales is a significant concern for residents of, and visitors to, Wales. There are frequent reports about the number of potholes and the risks these pose for highway users including cyclists. The recent ALARM report by the Asphalt Industry Alliance claimed that it would take 24 years and over £600m to bring highways across Wales up to an acceptable standard. The report was based on responses received from local authority highways departments.
6. Local Authorities, as the local highway authority, are responsible for nearly 33,000 kilometres of the road network, including A, B and C roads and minor surfaced roads that they have adopted¹. Highway condition information is reported as one of local authorities' performance indicators, compiled by the Data Cymru (formerly the Data Unit). The data on highway condition is based on a Road Condition Indicator (RCI) obtained from SCANNER surveys of the highway surface, undertaken by vehicles that drive over a sample of the highway network.

¹ Welsh Government is responsible for c75 miles of motorways and c1,000 miles of trunk roads. Day-to-day operation, maintenance and improvement is currently undertaken by two Trunk Road Agents who use local authorities in their areas as supply chain partners.

7. RCI outputs are scored between 0 and 315. Scores between 0 and 40 indicate that the observed road section is in good condition. This category is referred to as 'green' or 'good'. Scores over 40 but below 100 indicate that the location is showing some deterioration and should be investigated to see if the road needs treatment. This category is referred to as 'amber'. Any road sections scoring 100 or higher are likely to show considerable deterioration and may need maintenance within the next 12 months. This category is referred to as 'red' or 'poor'. The SCANNER survey does not specifically record the number of potholes; it identifies general surface damage and deterioration.
8. The graph below shows the trend in this indicator.



Source: <http://www.dataunitwales.gov.uk/SharedFiles/Download.aspx?pageid=30&mid=64&fileid=224>

9. The downward trend over this period can be explained by the fact that between 2012/13 and 2014/15 the Welsh Government provided a total of £170m for highway improvements via a Local Government Borrowing Initiative (LGBI). One of the conditions of accepting the LGBI was that local authorities' own highway maintenance budgets had to be protected at their existing level. This ensured that all the investment was additional.
10. The initiative resulted in improvements in highways across Wales. For example, in Rhondda Cynon Taf, the percentage of A-class roads in poor condition halved from

16.2% in 2010-11 to 8% in 2014-15. On B-class roads the improvement was 15.2% to 6.4%, for C-class from 15.3% to 13.3%. In Pembrokeshire, overall, the three classes improved from 12.7% to 9.1%. C-class saw the biggest reduction in roads in poor condition, from 15.6% to 10.8%. Cardiff saw 'A' roads in poor condition fall from 9.2% to 4.3% over this period, whilst 'B' and 'C' fell from 15.0% to 7.4% and 10.1% to 9.3% respectively.

11. However, such investment needs to be sustained if such improvements are not to be overtaken by continued wear and tear – from vehicle use and, especially, from extreme weather conditions (most notably the 'freeze-thaw' process experienced over winter).
12. Once investment under the LGBI finished and highways budgets were no longer protected, financial pressures have resulted in a substantial drop in highway maintenance expenditure. Inevitably, the network starts to deteriorate again and it would be surprising if the PIs for 2017/18 do not show an increase in the percentage of highways in poor condition.
13. Welsh Government recently agreed to provide £30m to local authorities for further highway improvement works through into 2018/19. This is very welcome but clearly at a lower level than was possible during the LGBI. Furthermore, in line with the Well-being of Future Generations Act there is a need to find a funding mechanism that will provide a long-term solution - preventing problems developing instead of (more expensive) treatment of the network once issues become acute.

The approach to funding and delivery of maintenance programmes

14. Until recently, local authority highway maintenance budgets have tended to be set on an annual basis, often based on previous or historic spend. This creates a short-term, reactive approach to management and improvement of the network.
15. However, over recent years, local authorities have been working together (and with Welsh Government) to develop a more strategic approach, based on asset management principles. The County Surveyors Society Wales (CSSW) engaged with the Society of Chief Officers for Transportation in Scotland (SCOTS) on a Highway Asset Management Plan (HAMP) working group. That group produced guidance and recommended good practice which has been promoted amongst all local authorities.

16. HAMPs explain the basis for the allocation of budgets and the development of financial plans. They provide evidence to justify the levels of budgets that are necessary and the likely impact different funding scenarios may have on the performance of the asset.
17. Another factor that has encouraged asset management planning and a longer term strategic approach has been the requirement of CIPFA since 2016/17 to include accounting information on the valuation of Highway Network Infrastructure assets in councils' Statement of Accounts. Appropriate information on highways assets is needed to meet this requirement and the HAMPs provide a good basis for this.
18. However, the production of HAMPs involves considerable work which can be justified only if there is sufficient funding available to follow up on recommendations emerging from the process. During the period of funding at the level experienced under the LGBI it made perfect sense. Likewise, Welsh Government will expect HAMPS to inform expenditure of the recent allocation of £30m. However, it becomes difficult to maintain commitment to this rigorous process when the level of funding becomes inadequate. Therefore, coming up with a long-term funding solution is vitally important.
19. The Local Government Association has highlighted the disparity between investment in the strategic road network in England and the highways maintained by local authorities (<https://www.local.gov.uk/about/news/lga-responds-aa-poll-drivers-condition-roads>) . They claim that national roads maintained by Highways England will have received 52 times more than local roads by 2020. They have called for 2p per litre of existing fuel duty² to be invested in local road maintenance – a call that has been backed by the AA. Such a move would raise around a £1bn per annum.
20. Were such a fund to be created by the UK Government it would have a Barnett consequential for Wales – potentially in the region of £50m p.a. That is approaching the level of investment achieved under the LGBI and could provide a way of maintaining investment at a constant level, appropriate to the scale of the task. Whilst WLGA opposes hypothecation, ways could be explored with Welsh Government to reach an agreement whereby this funding *would* be committed to the local highway network. The network benefits all other services – and facilitates the efficient functioning of the economy. There would, therefore, there would be multiple benefits from achieving a long-term funding solution.

² Fuel duty is a tax on vehicle use (as opposed to vehicle excise duty, which is a tax on ownership). As car use has increased so has the income from fuel duty – but, equally, so has the pressure on the highway network.

21. Finally, the maintenance and improvement of the motorway and trunk road network should not be planned in isolation from the county roads. Indeed, all parts of the network should be planned and maintained with a high degree of co-operation and consistency. For the user, travelling along routes that involve differently managed parts of the network, it does not make sense to have a high standard of maintenance on motorways and trunk roads if the county roads network is below standard or vice versa.

Disruption to road users

22. Road works and street works cause congestion, giving rise to more pollution and impacting on economic efficiency. They can increase the risk of accidents and they result in less reliable journeys and reduced resident satisfaction.
23. In England, the Department for Transport (DfT) has consulted on the introduction of lane rental charges in England. Pilots have been run by Transport for London and Kent County Council. These were assessed as largely successful, creating a clear incentive for utility companies and their contractors to minimise the time they spend occupying the highway and encouraging greater collaboration between firms. Some utility companies expressed concerns, though, that the charges would increase their costs and act as a disincentive to investment in upgrading infrastructure.
24. In February 2018 DfT announced plans to allow the roll-out of lane rental schemes across England, giving local authorities the option to charge utility companies up to £2,500 a day for digging up the busiest roads at peak times. Schemes will need to be approved by the UK Transport Secretary and bidding guidance is to be issued in the autumn.
25. The fact it is optional would give local authorities the power to decide as to whether it would workable in their areas. WLGA believes there should, at least, be a dialogue (e.g. with the County Surveyors Society Wales) as to whether a similar arrangement should be introduced in Wales. In 2016, the Welsh Government consulted on a '*National Approach for Road and Street Works in Wales*'. This was in relation to motorways and trunk roads but local authorities were encouraged to adopt similar practices.
26. The consultation referred to the fact that, in Wales, utilities wishing to undertake work on the highway have a statutory right to do so but must give notice to the local highway

authority³. It considered an alternative permit scheme under which those planning works would have, instead, to apply for a permit (permission) to occupy the highway. The legislation is already in place to introduce a permit scheme but to date this provision has met with little interest (although Bridgend County Borough Council have submitted a proposal for permitting and are currently progressing this with Welsh Government).

27. The consultation concluded: "*The Welsh Government will work with any stakeholder wishing to implement a permit scheme to establish whether there is a robust business case for the introduction of permit schemes...If a business case establishes that permit schemes are the best approach for improving the planning, co-ordination and implementation of road and street works in Wales the Welsh Government will develop and publish guidance*"⁴ (page 6).
28. In the meantime, Welsh Government highlighted the important role of the Welsh Highway Authorities and Utilities Committee (WHAUC) – a collaborative forum for highway authorities (including Welsh Government) and undertakers that enables them to discuss issues of mutual interest and agree joint approaches and action.
29. It may be that such collaboration is the most effective approach. However, once again, dialogue between the Welsh Government and the County Surveyors Society on permitting and lane rentals would be worthwhile, learning from Bridgend's experience to date.

Major enhancement projects and value for money

30. Over recent years the allocation of capital to local authorities to undertake transport schemes has reduced dramatically. Back in 2008-09 Welsh Government allocated £119m in Transport Grant for local authority led schemes within Regional Transport Plans. By 2011/12 the level of Regional Transport Consortia Grant was just £27m. Following the demise of the RTC, in 2017/18 the Local Transport Fund was only £20m. Including other grants, the grand total in 2017/18 was £31.4m⁵ "*for schemes to improve safety, create economic growth and promote active travel*".

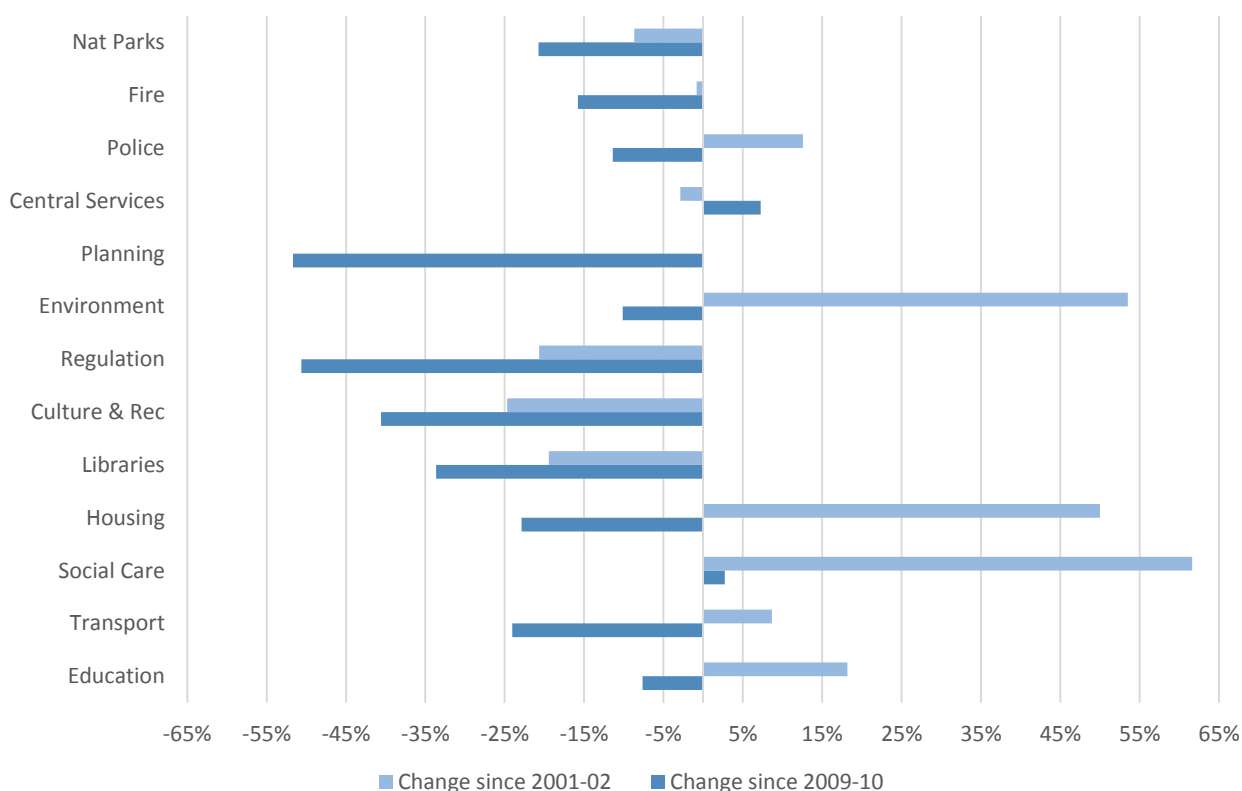
³ Other bodies wishing to use the highway must apply for a licence.

⁴ <https://beta.gov.wales/sites/default/files/publications/2017-08/national-approach-for-road-and-street-works.pdf>

⁵ Includes nearly £4 million from the Road Safety Capital Grant, £5.5 million through the Safe Routes in Communities Grant and almost £2 million for road safety education and training programmes.

31. As well as capital grants, local authority capital spending on transport can include borrowing, capital expenditure charged to revenue and use of capital receipts. Total capital expenditure on transport by LAs in 2016/17 was £129.3m – a drop of 44% from the level in 2012/13. Of that £129.3m, the vast majority (89%) was spent on 'roads, street lighting and road safety' (with the remainder on public transport and parking)⁶.
32. As a result of the reduction in funding available, and the dependency on year-to-year financial allocations, there are now very few major enhancement projects led by local authorities. Partly linked to this, cuts to highway revenue budgets (and the loss of the RTCs) have reduced the capacity of local authority highway departments, resulting in increased dependence on the use of consultants. Fig 1 shows that from 2009/10 to 2017/18 Transport departments in LAs saw their revenue budgets cut by almost a quarter – which equates to a cut of £89m, adjusted for inflation⁷.

Fig.1: Revenue spending up to 2017-18, inflation adjusted



⁶ <http://gov.wales/docs/statistics/2017/171011-local-authority-revenue-capital-outturn-expenditure-2016-17-en.pdf>

⁷ WLGA Evidence to ECLG Committee – inflation adjusted spending 2001-02/2009-10 to 2017-18 in Wales See Page 6, Figure 3. <http://senedd.assembly.wales/documents/s67738/ELGC5-30-17%20Paper%201.pdf>

33. In contrast, Welsh Government capital investment in highways is increasing. The National Transport Finance Plan Update 2017 showed indicative capital spending by the Welsh Government increasing from £348m in 2017/18 to £658m in 2018/19 and £781m in 2019/20⁸. In January 2018, Welsh Government announced it would be committing to a five-year capital allocation for Transport for Wales. The Cabinet Secretary, addressing the National Assembly on 23rd January 2018, referred to a 2011 UK Government report. This concluded that certainty of funding over five years, and the development of long-term plans for roads through a five-year budget commitment, could achieve savings of 15 to 20 per cent. Based on this and Welsh Government capital spend on highways, he estimated that over a ten-year period savings could amount to something in the region of £630 million⁹.
34. The move to longer term funding is something local authorities have argued for over many years. When the Regional Transport Consortia were operating they did have a degree of flexibility to plan over a number of years. This facilitated work on major, complex projects as it was possible to switch spend across a portfolio of projects depending on how well each was progressing.
35. In June 2015, the National Assembly's Public Accounts Committee reported on the value for money of motorway and trunk road investment in Wales. It heard that annual funding (often confirmed late or after the start of the financial year) makes long term planning difficult and can result in short term, inefficient works being prioritised¹⁰. It also results in works being undertaken at a time of year when contractors' costs are higher (due both to poorer conditions and pressure of demand). The PAC drew a contrast with five-year budgets for Highways England. These benefits of longer term funding appear to have been recognised in the case of Transport for Wales but local authorities remain dependent on annual allocations.
36. An overall assessment of the value for money of investment in the trunk and motorway network should not limit itself solely to the strategic highway network. Rather it should consider value from a highway user perspective. Most journeys start and end on local roads. The greatest value will be realised where investments are designed to improve the whole route experience, based on regular travel patterns. That requires a collaborative approach from Welsh Government and LAs.

⁸ <https://beta.gov.wales/sites/default/files/publications/2017-12/national-transport-finance-plan-2017-update.pdf> Table 4.1, page 10.

⁹ <http://record.assembly.wales/Plenary/4898#A41088>

¹⁰ <http://www.assembly.wales/laid%20documents/cr-ld10271/cr-ld10271-e.pdf> page 45.

Early Contractor Involvement and the Mutual Investment Model

37. Procurement based on the early contractor involvement (ECI) in the design process is widely seen as yielding benefits in relation to cost estimation, risk management, ease of construction and post-construction maintenance. On the other hand, it can cause disagreement between parties, with pressure to focus on cost reduction at the expense of, for example, innovation or appearance.
38. In contrast to ECI, single stage tendering excludes contractors (and their sub-contractors and suppliers) from the planning stage of the project and removes any incentive for them to notify errors or omissions. Instead, these are likely to be seized upon by contractors as a basis for future claims for an extension of time or to cover additional expenses, undermining the perceived advantage of accepting a low bid.
39. Using ECI with a properly executed contract that reflects a partnering relationship should increase transparency, reduce risk, increase shared responsibility and limit reasons for litigation. It is more appropriate for large, complex projects with numerous risks involved, as opposed to repetitive works like routine maintenance where there is greater certainty over inputs and outputs.
40. The Mutual Investment Model (MIM) is a form of public private partnership (PPP). It involves private partners building and maintaining public assets. In return, the private partner receives an annual fee from Welsh Government to cover the cost of constructing, maintaining and financing the project. At the end of the contract term the asset transfers into public ownership. Community benefits (such as apprenticeship training) can be built in as part of the agreement. ECI and MIM are compatible.
41. The (pre-devolution) c£100m dualling of the A55 dual carriageway on Anglesey was undertaken on a PFI basis. The current £428m A465 from Dowlais Top to Hirwaun scheme is an example of a highways project undertaken based on the MIM model. One of the main differences is that MIM works according to a non-profit distributing (NPD) funding structure for PPP. Under the NPD approach:
 - The private sector takes a fixed rate of return
 - The public sector has greater control and transparency over the company delivering the project, sometimes through a “golden share” giving enhanced voting rights on key issues

- Surplus profits are not distributed to the private sector. Instead, they can be returned to the public sector
- There is certainly no guarantee that cost increases will be avoided but, at least where there has been ECI, it should be clearer how these are to be handled.

42. Local authorities have been involved in PFI highway schemes for the £38m Sirhowy Enterprise Way in Caerphilly and the £57m Southern Distributor Road in Newport. They received PFI credits from Welsh Government (top sliced from the RSG) to enable necessary repayments. Unsurprisingly, given that there were 'winners and losers' amongst LAs, only two rounds of bidding for PFI credits were held, in 1997 and 1999, and this is no longer an option. However, LAs continue to work with the private sector to develop services. The collaboration with Welsh Government over the procurement of waste facilities is a good example of this.
43. The main advantage of PPP approaches is that they allow investments to take place that would not have occurred if they had depended on *upfront* funding from the Welsh Government. They also allow an element of risk transfer to the private sector (e.g. in relation to cost overruns) and, as with ECI, can capitalise on the private sector's knowledge and expertise with schemes. The explicit recognition of lifetime maintenance costs is another positive element (see further comment below).
44. The primary downside is that the cost of borrowing through these deals tends to be considerably higher than would otherwise be the case (either from direct funding or public sector borrowing). There have been claims the cost can be three to four times as high as the construction cost, although it must be remembered that lifetime maintenance costs are included in the costings¹¹. Moreover, ultimately, all such schemes are publicly funded and incur future liabilities. It would therefore be misleading to suggest that use of MIM other such models allows *more* projects than would otherwise be the case – it clearly does not. The costs and benefits therefore need to be weighed up carefully and it is important we learn from the different approaches that have been tried.

¹¹ <https://www.walesonline.co.uk/news/wales-news/fears-12bn-bill-just-12-13923598>

Approach in context of the Well-being of Future Generations Act and Active Travel Act

45. The Well-being of Future Generations (WFG) Act requires public bodies to adopt the principles of integration, collaboration, long-term thinking, involvement and prevention. ECI is a good example of collaboration and prevention. Likewise, the LGBI initiative was positive in the way it helped LAs move from short-term 'patch and mend' to a longer-term approach, based on carriageway resurfacing - more likely to prevent the reoccurrence of pot holes. LA involvement and consultation with local residents consistently reveals that the state of the roads is at or near the top of the list of issues they would like to see addressed. The need for 'whole route'-based improvement clearly requires collaboration between LAs and Welsh Government over improvements to both the strategic and local road networks.
46. However, it is important that the principles of the Act are applied consistently and continually and not in a piecemeal way or simply for post-hoc rationalisation or justification of actions. The 2p per litre fuel tax proposal is a good example of trying to find a longer-term solution to how we maintain our roads and avoid an 'invest and deteriorate' cycle. However, even that proposal would not provide a permanent solution, given the need to decarbonise. The UK Government's plans to ban the sale of all diesel and petrol cars from 2040 means that a fund based on revenue from fuel tax does not provide a permanent solution.
47. Therefore, we also need to be looking ahead and considering (i) what transport will look like in future if current trends continue and (ii) what we would *like* it to look like. Our policy interventions should be geared towards impacting on trends to achieve desired outcomes. For example, what future do we want for electric and autonomous vehicles? How can we best deal with growth in home deliveries? What modal share do we want to see in terms of private vehicles versus public transport? How can we best tackle congestion and can/should that be done in ways that favour public transport?
48. The Active Travel Act is also very relevant here in that we clearly hope to see more people walking and cycling - for health and carbon reasons. Since the vast majority of active travel takes place on local roads, logically this should influence the balance of spend between the strategic and local road networks over time.
49. The approaches we pursue should, then, have longer-term goals in mind. Highways provide a crucial role supporting most forms of service delivery and facilitating economic development. We therefore need to consider how services are changing and how

economic activity is adapting too. Ultimately, we want and need the 'state of the roads' to be fit for the future purposes for which we wish to see them used.

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Purpose

1. The purpose of this paper is to provide written evidence to the Economy, Infrastructure and Skills Committee for its inquiry into the State of Roads in Wales.

Background

2. At over 1,700 kilometres in length, the motorway and trunk road network is one of our most valuable assets, worth approximately £16 billion. The network supports the delivery of many the objectives in Prosperity for Wales and we are responsible for providing a safe and reliable motorway and trunk road network for the people of Wales. We take this responsibility very seriously and in 2016/17 invested over £155 million in maintenance and minor improvement alone. Even during challenging financial times we continue to operate, maintain and upgrade the network, allowing 10 billion vehicle kilometres of use per year, throughout all seasons.
3. The local road network is the responsibility of local authorities in Wales. It is for each local authority to take decisions as to how to allocate the totality of their resources in line with local priorities. Alongside the unhypothecated funding provided by the Welsh Government through the Revenue Support Grant, authorities also raise funding through council taxes and non domestic rate income. The Welsh Government also provides some specific funding to local authorities through the Road Safety Grant, Safe Routes in Communities Grant, and Local Transport Fund.

The Efficient and Effective Maintenance of the Motorway and Trunk Road Network

4. The management of the network was greatly improved by the transfer of the whole of the planning function into Welsh Government from the Trunk Road Agents in 2015 following completion of the 2014/15 Trunk Road Agent Review. The principles of best practice asset management have been adopted and a new asset management approach aligning network investment to the delivery of Prosperity for Wales objectives will be published in Autumn 2018.
5. The day to day safety and serviceability of the network is maintained by an annual programme of routine maintenance and inspection. Savings of £14.8M to the annual cost of this programme have been delivered by working in the partnership with the Trunk Road Agents, the introduction of new more efficient working practices and the adoption of new technology.
6. Defects with immediate or imminent implications for the safety of the public are addressed within 24 hours. Annual programmes of major maintenance and asset upgrade ensure the long term integrity of the network with investment prioritised across Wales on the basis of need. In 2017/18 we spent approximately £50 million maintaining and upgrading the individual components comprising the network include the road pavement, structures, lighting and drainage. Please note that 2017/18 figures have not yet been audited.
7. The Beast from the East and Storm Emma caused significant disruption to all modes of transport over the winter and we experienced a rapid deterioration in road surface condition due to the freeze thaw cycle across Wales. As a result we have invested over £19 million in this calendar year on resurfacing.

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8. The structural condition and skidding resistance of the network's road pavement (carriageway) is surveyed and reported annually. There was a change in the methodology for calculating the percentage of the network requiring close monitoring of structural condition, which is indicative of the need for maintenance, in the 2015-16 financial year which means individual figures before and after the change are not directly comparable. However trends in the data suggest maintenance strategies have been effective in maintaining the structural condition of the motorway at level similar to that in 2014-15 and indications are that the structural condition of all purpose trunk roads has improved since 2014-15.
9. However there is no cause for complacency. While the percentage of motorway with skidding resistance below investigatory level (indicative of the need for maintenance) remains low, the figure for all purpose trunk roads is on an upward trend; the overall value of the backlog of carriageway maintenance is approximately £83M: the value of the backlog of structures maintenance is currently up around £39M and the number of category 1 defects (i.e. those with immediate or imminent danger to the travelling public) in the carriageway requiring unplanned maintenance, often at peak periods to address, causing congestion and negatively impacting the economy are on an upward trend.
10. Sustained investment in the maintenance of this critical asset is therefore essential going forward to ensure it provides the service necessary to support delivery of the Welsh Government's objectives in Prosperity for All.

Investment in improvements to the existing network

11. A new £24 million pinch point and overtaking opportunity programme, specifically targeted at solving regional issues on the motorway and trunk road network commenced in 2017. In South and North Wales it will address congestion pinch points which at peak periods extend journey times and compromise network reliability and resilience. In Mid Wales it will provide safe overtaking opportunities reducing driver frustration and improving journey time reliability.
12. In 2017/18 approximately £1.6 million was invested in the continued roll-out of part-time 20mph speed limits outside trunk road schools and improving safety for communities following the speed limit review completed in 2015. £1.1 million was also spent over the year mitigating the effects of noise for citizens residing in close proximity to the network and a new programme of measures to ensure the motorway and trunk roads complies with limit values for NO₂ in order to safe guard public health will commence in June.
13. Sustainability is a key consideration in the planning of all improvements to the network. We are currently in the middle of a spend to save programme replacing traditional street lighting with the latest LED technology which will not only save energy costs but reduce our carbon footprint.
14. The Welsh Government received a lot of praise for its innovative Active Travel Design Guide when published in 2013. High speed roads can often act as a barrier to, and

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therefore discourage, active travel. Therefore approximately £1 million a year is spent providing infrastructure across the network facilitating active travel.

Minimising Disruption to the Road User and Improving Network Resilience

15. Work on the network is always carefully planned at off peak periods and often overnight to ensure the least disruption to the travelling public. Embargo periods, when no works are allowed are now tailored to the specific needs of the location. The recent 18 month embargo period on day time works on the A55 is a good example of this approach.
16. Communication with all stakeholders has been greatly improved. The emphasis has changed from static phone lines to proactive social media. Advance information is provided via twitter for all road works and safety initiatives. Currently there are over 36,000 active twitter followers and the aim is to continue to grow this. In addition consultation exercises are being undertaken with wider and more diverse organisations to ensure that the views of everyone are truly taken into account.
17. The Traffic Officer Service is crucial to maintaining the safety and resilience of the A55 in North Wales and the M4 South Wales by dealing with routine incidents such as break downs and supporting the police deal with major incidents. As part of our programme of continuous improvement the service has now been extended to cover all motorways, the southern section of the A470 and the A483 from Posthouse, Chester to the English border at Gledrid, Chirk at minimal cost through shift pattern changes.
18. At the beginning of March this year, when Wales experienced as much snow as Scotland where people were trapped in vehicles for up to 18 hours and more than twice as much as South West England where the army was called in to assist, all the Welsh strategic road network was reopened to traffic within two days and there were no fatalities or serious injuries.

Major improvement schemes and new roads

19. The delivery of major improvement schemes has continued apace, despite challenging budgets. The A55 is our key strategic route in North Wales, providing a vital economic artery to the region. Last year we completed a £42 million programme to bring the tunnels at Conwy, Penmaenbach and Pen y Clip up to current standards. The Abergwyngregyn to Tai'r Meibion Advanced Drainage scheme was also completed.
20. In September 2017, the Cabinet Secretary for Economy and Transport announced the Red Option as the preferred route for the A494/A55/A548 Flintshire Corridor Improvement Scheme. This £250 million project will improve capacity, reliability, journey times and safety. It will also improve connections for businesses and access between residential areas and places of employment.
21. The Caernarfon and Bontnewydd bypass was also recently announced. This is a scheme representing an investment of £135 million into the region, bringing many benefits to the area. It will be a real boost to the region and foster conditions for sustainable economic development and employment opportunities.

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22. We are investing approximately £40 million to upgrade Junctions 15 and 16 on the A55 with grade separated junctions where £26m of ERDF funding has been secured. £15 million of ERDF funding has also been secured for the main Abergwyngregyn to Tai'r Meibion Improvement scheme where construction could commence towards the end of the year. Major infrastructure improvements are being considered to junctions 3-6 on the A483.
23. Other works in North Wales include the acceleration of the completion date for a third Menai crossing, which could commence in late 2020/early 2021. We are working with National Grid to look at any potential opportunities between the North Wales Connection Project and the proposed third crossing utilising the bridge to house National Grid infrastructure in order to cross the Menai Strait. The feasibility study agreement will be funded through the £3 million design and development stage of the third crossing which is part of the two-year budget agreed by the Welsh Government and Plaid Cymru.
24. In Mid Wales, contractors are now two years into construction of the £95 million Newtown Bypass. There has been a strong emphasis on local recruitment, employment and training as part of the scheme. Alun Griffiths Contractors have taken on 13 apprentices as part of their Skills Academy Programme and to date over £21 million has been spent with businesses in Wales providing goods and services. Of that, £6 million has been spent with SMEs based in Wales.
25. We also plan to build a new bridge over the River Dyfi near Machynlleth, and work to develop a proposed Llandeilo transport solution is well underway.
26. £22 million of EU funding has been secured to support delivery of a £35m improvement between Llanddewi Velfrey and Penblewin. Preliminary investigations have also begun to develop further overtaking opportunities along the length of the A40. EU funding has been earmarked for these improvements which, when complete, and combined with already finished improvements such as the A40 Penblewin to Slebech Park and A477 Llanddawror Bypass, will improve accessibility to key employment, community and tourist destinations. They will also improve prosperity of the region and provide better access to the county town of Haverfordwest, the Haven Enterprise Zone and the west Wales ports at Fishguard, Milford Haven and Pembroke Dock.
27. Turning to South Wales, after more than a year, the Public Inquiry into the M4 Corridor around Newport scheme concluded in March. The Public Inquiry has allowed everyone to have their say, both for and against the project, including many of the organisations who have submitted evidence to this Committee inquiry. Once the Inspectors' report has been received, the Welsh Ministers must complete the statutory process by determining whether to make the Orders. In recognition of the importance of this matter to the whole of Wales, we have committed that the Inspectors' report will be open to scrutiny and debate in government time by Assembly Members before a final decision is made whether to enter into contracts for construction.
28. Some consultation respondents make specific reference to this Project and present similar evidence to that they submitted as objectors Public Inquiry. The Welsh Government's response to evidence can be seen using the following link: <http://m4-newport.persona-pi.com/rebuttals>. The Welsh Government's evidence in chief is

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available using the following link: <http://m4-newport.persona-pi.com/1-proofs-of-evidence>.

29. We have an impressive number of schemes which are already proceeding in South Wales, including the ongoing dualling of the A465 Heads of the Valleys road. This flagship project represents an overall investment of £900 million in the economy and infrastructure of South Wales. Section Three, from Brynmawr to Tredegar, opened successfully in 2015.
30. Section Two, from Gilwern to Brynmawr, is a very challenging project, due to topography, traffic management requirements and complex ground conditions. As a result, the Cabinet Secretary for Economy and Transport requested a comprehensive commercial project review be carried out in 2017. In light of this commercial review, the Wales Audit Office has begun a review of the procurement and delivery processes used on the project to date. This review is ongoing and will be reported in due course.
31. Transport officials continue to actively manage the project to identify ways of mitigating the project position. They are also working with the contractor, Costain, using mechanisms in the project agreement, to resolve the issues that are in dispute between the parties. Nevertheless, work on the scheme is continuing at pace, and the project is now about two-thirds complete. We expect Section Two to be complete by the end of 2019. We will not compromise on the scheme we committed to at the Public Inquiry in 2014 which will look spectacular once it is finished.
32. The last two sections, Five and Six, between Dowlais and Hirwaun, are being delivered as a Public Private Partnership using the Mutual Investment Model and will complete the dualling of the A465. A Public Inquiry into Sections Five and Six is currently underway.
33. Further investment in the infrastructure of South Wales is being delivered through projects to refurbish the Brynglas tunnels, Usk River Bridge and Malpas Viaduct, at a cost of over £40 million; and improvements to M4 J28 Tredegar Park roundabout, the A467 Bassaleg roundabout, and the Southern Distributor Road Pont Ebbw roundabout in partnership with Newport City Council. This project, with a construction cost of £13.7 million, will bring this stretch of road up to modern standards, including intelligent signalling which reacts to varying traffic flows in real time. We see the improvement of all three junctions as an important part of our programme for economic regeneration in the area, providing access to jobs, safe reliable journeys and improved resilience.

Local road network

34. According to local authority financial returns, in 2016-17 (the latest for which data is available) authorities spent £200 million on roads maintenance. In February 2018, the Cabinet Secretary for Local Government and Public Services announced an additional £30 million for local authorities to help address problem areas and prevent deterioration of the local network. This new funding was welcomed by the WLGA. The £30 million is a one-off investment, based on an established highway allocation formula.
35. As the response from the WLGA to the Committee's consultation noted, from 2013 to 2015 the Welsh Government provided additional revenue support for local authorities

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through the Local Government Borrowing Initiative to make an additional £172 million investment in improving the condition of their roads. The highway condition information compiled by the Data Cymru shows the decline in the percentage of local authority roads classed as in poor (or “red”) condition.

36. We have also provided funding to a number of local authorities to undertake major improvement schemes on their networks. Last year the First Minister officially opened the Eastern Bay Link Road in Cardiff, which was made possible through £57 million of Welsh Government funding.
37. We awarded the Vale of Glamorgan Council with a £26.26 million grant for improvements to Five Mile Lane and a further £60,000 to enable them to carry out a Stage One Transport Appraisal to explore and develop transport solutions from the A48 Sycamore Cross junction to junction 34 of the M4.
38. At the beginning of this financial year, we announced almost £26 million of funding through our transport grant schemes. The grants are a substantial investment to support local economic growth, improve road safety, enhance public transport facilities and provide more and better routes that enable people in Wales to walk and cycle and to do so safely.
39. We also allocated £2.5 million to local authorities in 2017/18 to offset costs incurred in dealing with snow, including gritting, snow clearance operations and salt purchasing.

Transport finance and planning

40. The National Transport Finance plan was published in July 2015. The plan sets out an ambitious five-year rolling program of transport interventions that we will take forward across Wales. The Plan was updated in December 2017, with an intention to review the Plan on an annual basis to reflect developments over time and the changing profile of need across Wales.
41. We are focused on ensuring value for money and driving efficiency in all transport schemes. The financial envelope within which we have to deliver our Plan remains challenging, with capital budgets remaining under unprecedented pressure we are working harder and smarter to attract new investment and to ensure that capital expenditure delivers the greatest benefits in the most effective way.
42. We are determined to protect and boost our finances with all the levers and powers at our disposal including working with UK Government but also through a range of innovative financing schemes.
43. The review of the current Wales Transport Strategy published in 2008, provides an opportunity to adopt a new approach that places an integrated public transport system at the heart of our strategy. We anticipate the Strategy will be published in 2019 to allow us to consult at key stages of its development and officials are already engaging with the Future Generations Commissioner for Wales on the direction this strategy should take.

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44. We fully support a regional approach to local transport planning. Our Guidance to local authorities with regard to developing their Local Transport Plans allowed them to prepare such document on a joint basis with other transport authorities. Joint local Transport Plans were developed in South West Wales, part of South East Wales, Mid Wales and North Wales.
45. We are working with local authorities in South East Wales to develop a transport model and the intention is to roll out the concept to the rest of Wales. The model looks at current and future demands across all transport modes and links into land use proposals. The output will provide robust evidence on how best our transport system can be improved to support developments such as housing and employment, connect people to services, and address congestion and improve resilience of our infrastructure. The model can also be used to inform future land use planning.
46. We have published the new Welsh Transport Appraisal Guidance (WelTAG) to be used when investigating transport investments within Welsh Government and by partners who receive grant funding from us. WelTAG has been developed to be applied to the development of all transport schemes to ensure they maximise contribution to the well-being of Wales, as set out in the Well-being of Future Generations (Wales) Act 2015, rather than specifically choosing one mode over another.

The Mutual Investment Model

47. The Mutual Investment Model (MIM) is an innovative way to invest in public infrastructure developed in Wales. MIM has been designed by the Welsh Government to finance major capital projects due to a scarcity of capital funding.
48. The MIM will support additional investment in social and economic infrastructure projects and help to improve public services in Wales. MIM schemes will see private partners build and maintain public assets. In return, the Welsh Government will pay a fee to the private partner, which will cover the cost of construction, maintenance and financing the project.
49. This model allows the public sector to share in the profits of the private partner, removes soft services from contracts, and embeds transparency, about costs and performance, and the requirement to review efficiency, effectiveness and performance every two years. It also has important provisions to secure community benefits, sustainable development, where the private partner is obliged to help us in the delivery of the Well-being of Future Generations Act, as well as incorporating our commitment to an ethical employment code.

Historic PFI

50. Successive Welsh Governments have consistently avoided the pitfalls of PFI. As a result of our approach, liabilities relating to this type of scheme in Wales are much lower than in other parts of the UK. The annual average cost per head of PFI schemes in Wales (well under £40) is around a fifth of the cost per head for the UK as a whole (over £160). The capital value per head of PFI schemes in Wales (around £200) is around a fifth of the value per head in the rest of the UK (just under £900).

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51. All authorities responsible for PFI contracts should keep those contracts under review, including considering the case for buying out contracts where that is affordable and would maximise value for money over the remaining life of the contract.
52. Well designed, well planned and well managed partnerships with the private sector to deliver public infrastructure can offer good value for money and ensure much needed assets are delivered a lot sooner than they would otherwise be.

The Wellbeing of Future Generations Act

53. The Wellbeing of Future Generations Act is the central organising principle in our transport planning process and vision. The plan sets out investment in all modes with funds ring-fenced to support different modes and ensuring all modes benefit.

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport

Agenda Item 5.1



Llywodraeth Cymru
Welsh Government

Russell George AM
Chair
Economy, Infrastructure & Skills Committee

25 June 2018

Dear Russell

Further to the Economy, Infrastructure and Skills Committee meeting on Thursday 7 June 2018, I enclose a paper setting out how Wales is taking advantage of the opportunities arising from the UK Industrial Strategy.

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Wales and the UK Industrial Strategy

This note sets out how Wales is taking advantage of opportunities arising from the UK Industrial Strategy.

1. UK Research, Development and Innovation (RD&I) Funding

- 1.1. Most UK RD&I funding is not devolved to Wales and is being allocated on a competitive basis by UK Research and Innovation (UKRI) – the new body combining the UK research councils and Innovate UK .
- 1.2. The amount of funding won by Wales from Innovate UK has been increasing year on year with over £88m won since 2010/11 and at least another £48m confirmed but not drawn down. This figure does not include current, active submissions to the Industrial Strategy Challenge Fund.
- 1.3. Some recent highlights include:
 - Compound Semiconductor Applications Catapult secured in Newport. This will ultimately draw down £56m of Innovate UK funding with the potential to win more from competitive calls.
 - Swansea University won funding to host one of six Innovation and Knowledge Centres (IKC).
 - Welsh Government ran three Launchpads for Medtech, Photonics and Cyber security companies.
 - Welsh Government has led on the Small Business Research Initiative (SBRI) with co-funding of £2.8m from Innovate UK and a number of Welsh submissions currently awaiting decisions on support.
- 1.4. Examples of Welsh companies successfully accessing Innovate UK funding include:
 - Riversimple, based in Llandrindod Wells, aims to eliminate the environmental impact of personal transport by developing hydrogen fuel cell powered cars. Innovate UK supported research into carbon-fibre braiding where the Welsh company collaborated with the University of Manchester.
 - ReNeuron, based in Bridgend, is collaborating with the UK Cell and Gene Therapy Catapult and academia to scale-up manufacturing, process technology, and quality by design expertise.
 - Jellagen, based in Cardiff is the first commercial manufacturing plant for the sustainable extraction of high-purity collagen from jellyfish off the west coast of Wales to provide effective biomaterial for cell culture, wound care and regeneration.

- SPECIFIC, based in Baglan, is turning the innovative ‘buildings as power stations’ concept into a practical reality. SPECIFIC received £20m initial investment as an IKC for functional industrial coatings, followed by phase 2 funding of £26m. Most recently, it secured £800k funding to build the Active Office prototype.

1.5. Wales has also been successful in the GovTech award competitions with Welsh organisations securing £2.5m (40%) of first call budget for digital projects.

2. The Industrial Strategy Challenge Fund (ISCF)

2.1. The ISCF provides funding and support to UK businesses and researchers. The fund is part of the UK Government’s £4.7bn increase in research and development over 4 years; of which over £2bn is allocated to largely business-led R&D.

2.2. The Welsh Government has been working to raise awareness of the opportunities offered by the ISCF, since many aspects align with WG’s Economic Action Plan, especially the Calls to Action.

Wave One

2.3. The UK Government identified six challenges and earmarked £1bn of funding for the first wave of challenges. Early competitions have already been held and the first wave of funding is being allocated.

2.4. Welsh based businesses and research organisations have won around £8m of wave one funding to date, with further funding to be allocated.

2.5. Examples of successful Welsh bids so far include:

- The Advanced Therapy Treatment Centre – a Wales Blood Service project in conjunction with Birmingham Health board where £1.6m was awarded to Welsh partners. Welsh companies have also been partnering other consortia, securing an additional £0.5m. This will play a key part in the translation of ground-breaking therapies. The consortium includes Cardiff-based business, Trakcel, which is developing scheduling/ tracking software for advanced therapies.
- Hexigone Inhibitors (Swansea), to develop an environmentally responsive self healing coating.
- Picofluidics Ltd (Cardiff) for surface engineering and coating of polymer templates.
- Medaphor (Cardiff) for virtual reality aids for ultrasound-guided needling.

2.6. Future projects include discussions around the Faraday challenge on batteries of the future and opportunities around proposed Ebbw Vale projects.

Wave Two

2.7. The UK Government has announced a further £725m of funding for wave two, which will run in 2018 and 2019.

2.8. Competitions are currently underway for ISCF Wave two, but no announcements of awards have yet been officially made.

2.9. The Welsh Government has been working with stakeholders to raise awareness of the opportunities for business and academia. Examples of these activities include holding workshops in Wales for several of the eight of the new challenges: Transforming Construction, the Energy Revolution, Transforming Food Production, Next-generation Services and the Audience of the Future, as well as two new health-related challenges: Healthy Ageing and Digital Pathology, imaging and AI.

2.10. The Welsh Government has already offered support to a number of large Welsh-led bids. Whilst it is difficult to predict the outcomes of the competitions, Wales is well placed to win tens of millions of pounds of new investment in coming few months.

Wave Three

2.11. The expression of interest for the third wave of challenges closed on 18 April 2018. Several of these proposed challenges are being selected for further work by UKRI prior to a business case being submitted to HM Treasury for funding.

2.12. UK industry and research were asked to submit proposals aligned clearly with at least one of the four grand challenges. Submitted proposals were expected to be drafted collaboratively by a consortium of industry and academia or be able to provide evidence of an industry-wide requirement.

2.13. Projects from the selected wave three challenges are expected to start from April 2019 and last up to three years.

3. Sector Deals

3.1. These partnerships between government and industry help industries to overcome specific issues that they face. The partnerships will involve industry councils that meet regularly to identify issues and decide how to tackle them. The councils include industry leaders and government representatives.

- 3.2. Sector deals have been agreed in life sciences, construction, artificial intelligence and the automotive sector. Discussions are ongoing with the creative industries and industrial digitalisation sectors.
- 3.3. The Government will create an independent Industrial Strategy Council to assess progress and make recommendations to the government.

4. Strength in Places Fund (SIPF)

- 4.1. Led by UK Research and Innovation, the SIPF is a new competitive funding scheme that takes a place-based approach to research and innovation funding, to support significant regional growth. The total UK budget for this phase is £115m, although if demand is high there may be further rounds.
- 4.2. The high level aims of the Strength in Places Fund are:
 - To support innovation-led regional growth by identifying and supporting areas of R&D strengths that are driving clusters of businesses across a range of sizes that have potential to innovate, or to adopt new technologies in order that those clusters will become nationally and internationally competitive.
 - To enhance local collaborations involving research and innovation. Building on the underpinning regional economic impact role of universities, research institutes, Catapults and other R&D facilities (such as IKCs); and engaging those businesses at the forefront of delivering economic growth through innovation within the identified economic geography.
- 4.3. The Welsh Government, Universities Wales and the CBI held a joint workshop in Cardiff on the SIPF on 7th June for a range of Welsh stakeholders. Several bids are expected to come forward the workshop, include bids on Compound Semiconductors, Cyber Security, Steel and Metals, Nuclear and Life Sciences.

5. Next Steps

- 5.1. Industrial Strategy funding is still relatively recent and a significant majority of funding remains to be allocated. Although the funding mechanisms are competitive, the Welsh Government sees this as an opportunity, not a threat.
- 5.2. The Welsh Government will continue to work with the UK Government on the Industrial Strategy in a manner that is based on mutual respect for each other's responsibilities and constructive partnership where it is in the interests of Wales.
- 5.3. The Welsh Government will continue promoting the calls and opportunities to the Welsh audience and support strategic bids where Wales has an edge and there is alignment with WG objectives.

Russell George AM
Chair of Economy, Infrastructure and
Skills Committee
National Assembly for Wales

25 June 2018

Dear Russell,

In response to questions tabled by members of the Economy, Infrastructure and Skills Committee on 07 June and on which I agreed to provide further information, please see below:

Question by Bethan Sayed AM - To clarify the role and status of the policy statement on skills. What is the status of the Policy Statement on Skills, published in 2014? Is it still the basis for your policy action on skills? Or has it been superseded by the employability plan?

Please see the attached report which provides an update on the status of the Policy Statement on Skills and actions recorded in the Skills Implementation Plan (2014).

Question by Lee Waters AM - Would the Minister look at PhDs in machine learning, in particular where there is a skills gap at the top end in order to retain the expertise in Wales.

Yes, we will follow up on this recommendation. Some of the steps we intend to take include:

- Monitoring the number of postgraduates in this area via our higher education statistics; and
- Working closely with the Higher Education Funding Council for Wales to explore what further intelligence is available.

I trust the above information is helpful in responding to the Assembly Members' questions. However, if I can be of any further assistance, please do not hesitate to contact me.

Yours sincerely



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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**Update on actions within the Policy Statement on Skills and Skills
Implementation Plan (2014)
June 2018**

Context and background

On 30 January 2014, the Welsh Government launched the Policy Statement on Skills. This document set out a vision for employment and skills policy in Wales for the following 10-year period, including the responsible action needed by all stakeholders to develop a resilient, responsive and sustainable post-19 skills system. It also recognised the tough choices ahead if Wales is to deliver the skills needed to raise productivity levels and reduce barriers into employment.

The statement covered four areas of priority:

- **Skills for jobs and growth:** a focus on skills for jobs and growth so that we can deliver a more highly skilled Wales which can compete with the best.
- **Skills that respond to local needs:** the need to deliver the skills that respond to local needs so that the employment and skills offer available to employers and individuals is based on their needs and is easy to access.
- **Skills that employers value:** the requirement to support the skills that employers value. If we expect employers to pay more to address skills needs, we must ensure that training is of high quality and meets their requirements.
- **Skills for employment:** ensuring that individuals are given the skills for employment by focusing Welsh Government investment where it can add value to existing employment programmes, as demonstrated by Jobs Growth Wales.

The Welsh Government committed within the statement to produce a **Skills Implementation Plan** setting out the key policy actions and their timeline in order to deliver the ambitious goals for Wales. The plan, launched in July 2014, focused on the policy actions up until April 2016, working with employers, unions and delivery partners. These actions support the longer-term reform required to secure a resilient and sustainable skills system for Wales.

As well as setting out the detail of specific interventions, such as the Skills Gateway and future employment and skills programmes, the Plan outlined the strategic approach to be taken in relation to future regional skills delivery in Wales. It also set out the Welsh Government's support and commitment to a strong vocational education system in Wales via the function of Qualifications Wales and the role that co-investment in skills would have in underpinning all areas of future employment and skills policy.

The direction set by the Policy Statement on Skills remains valid given the long-term challenges for Wales in raising overall skills levels and addressing skills shortages, engaging more employers to invest in training, improving routes into higher learning and supporting people into better paid employment. This focus can be clearly identified within skills and employability commitments identified in the Programme for Government - Taking Wales Forward. These have been supplemented by specific commitments within the National Strategy Prosperity for All, the Economic Action Plan (December 2017) and the Employability Plan (March 2018).

**Update on actions within the Policy Statement on Skills and Skills
Implementation Plan (2014)
June 2018**

This paper provides an update on all commitments set out in the Policy Statement on Skills and the Skills Implementation Plan and indicates where these have been completed, where they are still underway, or where they have been superseded by actions outlined within the Economic Action Plan and Employability Plan.

Update on Actions

Skills for jobs and growth

Action: Integrated Skills Performance Measures

Key milestones

- Publication of initial Skills Performance Measures by **September 2014**
- Integration of Skills Performance Measures within policies and programmes between **September 2014 – April 2015**
- Annual review of Skills Performance Measures to commence from **April 2015 onwards**

Skills Performance Measures were published in September 2014. In 2015 the Well-being of Future Generations Act was published, followed by its own set of National Indicators which superseded the Skills Performance Measures. Officials responsible for the Skills Performance Measures were involved in working groups on the National Indicators and there is cross-over between the two sets of indicators. For example, the two sets cover qualification levels, productivity, and people in employment. Data for other measures such as skills gaps due to essential skills and Welsh language skills and employer investment in training continue to be collected and officials analyse these figures comparing them to previous data where available. Figures on these were most recently published by Welsh Government in the Employer Skills Survey 2015 Wales Report (and further data will be available shortly from the Employer Skills Survey 2017). Measuring our performance continues to have a strong focus within the Employability Plan, particularly given the employability and skills targets set out in the Plan.

Action: Investing in skills alongside employers and supporting employer collaboration, networks and innovation

Key Milestones

- Introduction of initial phase of the Flexible Skills Programme by **September 2014**
- Integration of co-investment policy as part of programme specification and delivery arrangements by **August 2015**
- Mid-programme review and evaluation by **October 2017**

The Flexible Skills Programme has been in operation since June 2015 and continues to be utilised to support employers to up-skill their staff to meet the needs of their

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growing business. Aligned to Wales' co-investment policy the FSP provides financial assistance at a 50% intervention rate.

The programme operates pan-Wales and is open to any employer who can demonstrate return on investment and/or business development need.

A customer feedback exercise was undertaken in 2016 to review and evaluate the programme's use and operational processes. Overall, the findings were very positive. In excess of 12,200 individuals are expected to have received training as a result of the FSP to date.

Skills that respond to local needs

Action: Delivering an integrated approach to employment and skills support

Key milestones

- Launch of Skills Gateway by **October 2014**
- Mid-programme review and evaluation by **October 2017**

The Skills Gateway was launched in January 2015 as an engagement, assessment and referral system in order to provide a seamless service for businesses and individuals seeking employment and skills support in Wales. It provides access to an integrated portfolio of skills and employability provision and assists businesses and individuals in identifying their skills development needs while providing advice and guidance on how to access appropriate support to meet those needs.

The Skills Gateway continues to be developed to ensure it remains current, relevant and responds to the needs of users.

As part of the longer-term reforms to employability support in Wales, we are looking to simplify access to such support further. To do this, we are developing the Employment Advice Gateway. The Employment Advice Gateway will provide impartial and cohesive employability advice to people aged 16 and older.

A mid term evaluation of the Skills Gateway is underway and the recommendations from this will be relevant to, and reflected in, the current development of the Employment Advice Gateway (EAG).

Action: Strengthening the approach to regional skills delivery

Key milestones

- Regional skills partnership structures identified by **October 2014**
- Regional Employment and Skills Plans agreed with Welsh Government by **April 2015**

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- Regional Employment and Skills Plans refreshed annually From **April 2016**
- Evaluation of impact of Regional Plans on prioritisation of Welsh Government funding **From 2016–17**

Regional Skills Partnerships (RSPs) were announced by the then Deputy Minister for Skills and Technology in October 2014 i.e.:

- North Wales Economic Ambition Board – Regional Skills Partnership North Wales (NWEAB - RSP)
- South West and Mid Wales Regional Learning and Skills Partnership (RLSP)
- Cardiff Capital Region Skills Partnership (CCRSP), formerly known as the South East Wales Learning, Skills and Innovation Partnership (LSKIP).

RSPs have a key role in producing regional intelligence informed by employers. They have substantially increased their employer focus and have developed robust employer engagement strategies to capture the skills needs of the region and, in particular, the skills needs associated with regional infrastructure projects and priority sectors.

Action: Improving the quality and impact of skills provision locally

Key milestones

- Introduce pilot Skills Priorities Programme by **September 2014**
- Introduce full Skills Priorities Programme, incorporating co-investment policy as part of programme specification and delivery arrangements by **September 2015**
- Mid-programme review and evaluation by **October 2017**

The Skills Priorities Programme (SPP) was piloted in 2014 through to March 2016 and has been designed to allow the Further Education sector to respond to and develop provision to address job specific, higher level skills gaps, at a regional level as identified by Regional Skills Partnerships. It also supports Further Education Institutions to develop the skills base of their staff through continued professional development activity.

The SPP is now in the second year of the 2017-19 programme and for 2018-19 delivery, a new Innovation strand has been added to the programme to ensure that SPP can be even more flexible and respond quickly to emerging regional priorities and new employer demand as it arises throughout the year.

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An evaluation of the SPP has been conducted, covering both 2015-16 and 2016-17 delivery, in order to inform the 2017-19 programme.

The evaluation has concluded that “There is a high level of satisfaction among FE providers with SPP”. The evaluation cited the flexibility of SPP being key to the success of the programme, and that the “overlap of CPD and other activity can be considered as an additional programme impact”.

Skills that employers value

Action: Introducing Sector Qualification Advisory Panels

Key milestones

- Consult on the future of apprenticeship frameworks in Wales by **October 2014**

In order to deliver on commitments within the Skills Implementation Plan, the Welsh Government consulted on the apprenticeship programme in early 2015.

The consultation informed the Welsh Government’s Apprenticeship Skills Policy, aligning the apprenticeship model with the needs of the Welsh economy, published in February 2017. Future delivery priorities for Wales for 2016 to 2020 include a focus on growth of apprentice opportunities for 16 to 18-year-olds; building up apprenticeships in engineering and manufacturing in line with priorities determined by Regional Skills Partnerships; a focus on apprenticeships at level 3 and above, where returns on investment tend to be higher and where the most successful European countries focus - this will continue the phased reduction across specific sectors of Foundation Apprenticeships up to 2020 - to continue to accelerate growth in the number of technical and professional opportunities in higher apprenticeships; and to focus on working with businesses, harnessing their potential to recruit apprentices and build awareness of the opportunities the programme has to offer.

- Sector Qualification Advisory Panels (SQAPS) established in 10 sectors by **December 2014**

Early pilots were conducted on various approaches to introducing SQAPs. It became apparent that a ‘standing committee’ approach based on physical panels meeting at regular intervals was not the most effective means of engaging with employers to gather intelligence about qualifications issues. The establishment of Qualifications Wales in September 2015 gave an opportunity to review the approach. SQAPs were considered no longer necessary and, as part of its VQ strategy, Qualifications Wales have introduced sectoral reviews of Vocational Qualifications on a sector by sector basis.

**Update on actions within the Policy Statement on Skills and Skills
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- Establish Qualifications Wales by **September 2015**

Qualifications Wales is the independent regulator of qualifications and the qualifications system in Wales and was established in September 2015.

Action: Delivering skills utilisation agreements working with employers

Key milestones

- Commence pilot of skills utilisation in two key sectors by **October 2014**
- Review pilot outcomes and make recommendations on roll out to other sectors **by October 2015**

The Skills Implementation Plan (SIP) made a commitment to pilot skills utilisation to influence the way skills are deployed by employers and to tackle levels of over qualification. Following initial research by Professor Ewart Keep for Welsh Government, it was decided to run a pilot study focusing on two key sectors, the creative and construction sectors.

Creative Skillset was appointed to deliver the pilot project for the creative media sector and CITB was appointed for the construction sector.

The pilot studies were conducted over a 6-month period and final reports were submitted at the end of October 2015 to Welsh Government.

The pilot studies concentrated their research on exemplar companies that were already involved in training and skills development, keen to improve and receptive to participating in the study. Although the research was not representative of all companies within each sector it helpfully demonstrated the approaches applied by companies on skills development in two key sectors for the Welsh economy. The pilot studies were reviewed and evaluated by Knowledge and Analytical Services within Welsh Government and external research services and fed into skills policy development/ the design of employability and skills programmes.

Action: Implementing a policy of co-investment in skills

Key milestones

- Co-investment guidelines issued by **October 2014**
- Co-investment guidelines integrated into policies/programmes **from April 2015**
- Policy review and evaluation by **October 2017**

**Update on actions within the Policy Statement on Skills and Skills
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The Welsh Government published its Framework for Co-investment in Skills in November 2014. This document described the approach to be taken in pooling the resources of government and employers in mobilising a productive and skilled workforce. The framework built on the consultation on co-investment in skills during 2014 and outlined three key priorities:

- **Influence** –influencing employers to invest in the skills that they need, e.g. ensuring vocational qualifications hold currency with employers.
- **Investment** – setting out the balance of co-investment between government and employers and the prioritisation of public resources to support apprenticeships for those under 25 years of age and provision to deliver Essential Skills to adults.
- **Impact** – focusing on the impact of our investments and ensuring that there is appropriate accountability for the investments being made via the Skills Performance Measures published in September 2014.

The framework aimed to provide a strong foundation for shifting the emphasis from a government-led approach to skills investment to a system influenced and led by employers. The framework, implemented from April 2015, impacted upon programmes led by the Welsh Government, such as the Work Based Learning programme, the Flexible Skills Programme and the Skills Priorities Programme.

A review of the Framework was undertaken in October 2017 with final recommendations under consideration to support actions and commitments made in the Economic Action Plan and Employability Plan where the strong focus on increasing employer investment in skills remains.

Skills for employment

Action: Simplifying arrangements for accessing skills and employment support

Key milestones

- Launch of Skills Gateway, including standardised initial assessment of skills and work readiness **by October 2014** (see page 3)
- Mid-programme review and evaluation **by October 2017** (see page 4)

An update on the Skills Gateway, including its mid-programme review, is set out on pages 3-4 above.

Action: Providing employment support arrangements that add value

Key milestones

- Work Ready Skills Conditionality Pilot by **April 2014 – March 2015**

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The Work Ready Skills Conditionality Pilot evaluation report concluded that there was no clear evidence to support the benefit of conditionality in relation to skills programmes. DWP has since changed their approach and conditionality is more closely linked with the Claimant Commitment through which actions are jointly agreed by the individual and the Work Coach. The DWP employment Work and Health Programme was launched in December 2017 and is primarily a voluntary access programme.

The Welsh Government continues to provide employability support on a voluntary basis.

- Introduce ReAct III by **July 2014**

The ReAct III programme launched on 1 July 2014 immediately following the closure of the ReAct II programme.

The Welsh Government's ReAct III programme is designed to complement and supplement the service offered to redundant workers by Jobcentre Plus and Careers Wales. ReAct III aims to address the needs of people who have been made redundant, or are under notice of redundancy, through a series of measures designed to remove barriers to obtaining new employment. ReAct III targets four key areas where assistance may be required in order for a redundant worker to gain new employment. Two are aimed at providing prospective employers with incentives and assistance to employ a redundant worker, whilst two are aimed at updating the skills of a redundant worker and removing any barriers to training and employment.

Since 01 October 2008, when React I was introduced, the ReAct programme has supported over 28,600 redundant workers.

Responses to destination surveys sent to past participants of the programme show that 76% have found new employment after leaving the programme

ReAct III is scheduled for closure to new entrants on 31 March 2019. From 1 April 2019 onwards, redundant workers seeking support to return to work will have their needs met by Working Wales, the Welsh Government's new employability programme. The ESF project that underpins ReAct III delivery will continue until the end of 2022 and will underpin Working Wales following its launch.

- Define employment offer in Wales by **September 2015**
- Introduce new adult employability programme by **September 2015**

The Skills Implementation Plan committed to replace Work Ready (the national programme for unemployed adults) with a new adult employability programme by September 2015.

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The Employability Skills Programme (ESP) was procured in August 2016 and has been delivering adult employability support from 12 September 2016. The main aim of ESP is to support unemployed adults to get a job and to stay in work by improving their employability skills. ESP is a flexible programme and offers a high quality work experience placement, along with work preparation training, and essential skills provision if required.

The Welsh Government's Working Wales programme (currently in procurement) will commence in April 2019. Working Wales is a new programme designed to support people of all ages to overcome barriers and gain the skills to achieve and maintain good quality, sustainable employment. This approach to delivering employability and skills support is designed to meet what individuals need to gain employment rather than fitting them into narrow programme eligibility criteria. Working Wales consolidates Welsh Government's current suite of employability support (Jobs Growth Wales, ReAct, Traineeships and the Employability Skills Programme).

- ***Focusing on Essential Skills***

Key milestones

- Extension of Essential Skills in the Workplace Programme by **July 2014**
- Introduce standardised Essential Skills assessment tool by **October 2014**

The Wales Essential Skills Toolkit (WEST) was launched through an agreed, phased approach on 1st October 2014. The final phase commenced development in January 2015. All functions relating to the screening and assessment of the Communication, Application of Number, Digital Literacy and English for Speakers of Other Languages (ESOL) are now available.

The Wales Essential Skills Toolkit (WEST) is a bespoke, standardised assessment tool for all post-16 learning providers - Further Education Institutions, Work Based Learning providers and Adult Community Learning Providers in Wales, which determines a person's levels of ability and understanding in literacy, numeracy and information technology.

Lesley Griffiths AC/AM
Ysgrifennydd y Cabinet dros Ynni, Cynllunio a Materion Gwledig
Cabinet Secretary for Energy, Planning and Rural Affairs

Agenda Item 5.3


Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Russell George AM
Chair, Economy, Infrastructure and Skills Committee

19 June 2018

Dear Russell

Thank you for your letter of 25 May regarding the Economy, Infrastructure and Skills Committee's work on precision agriculture.

The industry must embrace precision agriculture as a means to becoming more profitable and resilient, particularly as we transition from the EU. It is important to view precision agriculture as wider than simply machinery. Particularly for livestock farming, the gathering and use of data along with advanced breeding technologies are equally, if not more important than the machinery which you heard about in your evidence session.

In terms of machinery, Professor Blackmore's examples of targeted weed control were linked to high value crops such as horticulture and cereals. I fully support these advances in technology for those sectors, however, it is currently out of the reach of many grassland farmers in terms of the cost, but also in terms of the returns it would bring to grassland systems.

On the other hand, the examples given by Mr Llewelin in terms of targeted application of nutrients is being adopted on many Welsh farms. The Farm Business Grant, part funded by the Rural Development Programme, has many of these technologies available and I have supported a number of farms to purchase GPS technology for the targeted application of fertiliser and pesticides.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Pack Page 77

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The dairy industry has been quick to adopt new innovation and technology through superior genetics, greater use of data as well as robotic milking. The Sustainable Production Grant, also part funded by the Rural Development Programme, has many examples of support given to farmers to adopt new precision agriculture technologies to increase productivity.

Barriers

The examples above demonstrate the Welsh Government's support to farmers to adopt precision agriculture technologies and many farmers have already benefited from this support. I will review the support we offer on an ongoing basis to ensure it continues to be relevant to the industry, however, given the EU regulations which we are currently adhering to – we are still in the EU - farmers must provide 60% of their own funding towards any capital investment.

The Welsh Government is working to improve both broadband and mobile phone coverage across Wales and this will help support precision agriculture. The Superfast Cymru project has provided over 684,000 homes and businesses across Wales with access to superfast broadband, including agricultural businesses. Alongside the commercial offer, this represents around 94 per cent of premises have access to superfast broadband. A tender is currently underway on a contract to extend superfast broadband still further.

In addition, the Welsh Government has developed a mobile action plan with the mobile phone industry and other partners including the farming unions and CLA Cymru. The plan addresses nine key levers at the disposal of the Welsh Government to improve mobile coverage particularly in rural areas. The plan aims to create an environment that encourages investment in mobile infrastructure in Wales such as changes to the planning regime for mobile phone masts. Currently, data services (3G and 4G) are available from all operators across 70 per cent of the Welsh landmass with five per cent not covered by any operator.

Opportunities

The Welsh Government recognises the skills and expertise within Welsh academic institutions and businesses which has relevance to precision agriculture. A recently funded project, Geographical Data and Earth Observation Monitoring (GEOM) is a partnership between Qinetiq and Aberystwyth University which has the farming sector as one of its key target markets. It will support the use of geographical data from satellites or Unmanned Aerial Vehicles (UAVs) for such activities as environmental monitoring or crop trials.

During the project development process, feedback was given to the project sponsors to broaden their proposal to include greater support for precision agriculture and the project has now committed to work with the Welsh Government's programme, Farming Connect to access existing mechanisms to directly assist the farming community. The GEOM project will not be able to cover every aspect of precision agriculture but will provide fresh resource and expertise as a basis on which to develop new activity.

In parallel with the GEOM project, the Welsh Crucible (led by Swansea University but covering all of Wales) is currently undertaking a Science and Innovation Audit, funded by the Department of Business Enterprise and Industrial Strategy (BEIS) and using the external consultants Technopolis. The audit will examine four main themes, one of which is agri food and will look for evidence of capability and opportunity within Wales. The audit covers all major Welsh Universities and will provide a reliable and comparable baseline on the status of agri food capability in Wales. Once completed, it will allow us to identify opportunities and any gaps within Wales and to be able to recommend any further action to develop the sector.

Calls for support

The Welsh Government, through its Farming Connect programme offers farmers with a wide range of support related to precision agriculture. The service offers support for benchmarking allowing farmers greater access to data in relation to their financial and technical performance. Farmers can also access subsidised training and technical advice on topics related to precision agriculture. As part of the Farming Connect demonstration farm network, we showcase a number of technologies, processes and practices which demonstrate the benefits of precision agriculture in real-farm situations. I have asked Farming Connect to review its demonstration, innovation and focus sites to ensure they are at the cutting edge of farming practices to inspire other farmers to adopt these techniques.

I have not received any representation from the industry to notify me of legislative barriers to adopting some of these technologies, however, I will continue to work closely with the industry to ensure I support them where I can.

I continue to make available the Farm Business Grant for farmers to access up to £12,000 of grant to make relatively small investments in their farm. There are a number of items relating to precision agriculture on the list which have been pre-identified as being relevant to modern agriculture, a number of which relate to precision agriculture. The items have been specified and costed to simplify the grant application process whilst offering the maximum flexibility to the farmer. My officials continue to work closely with the industry to ensure these items offer a step change to our agriculture sector in order to increase productivity.

The development and delivery of the technology for precision agriculture is the responsibility of Ken Skates AM, Cabinet Secretary for Economy, Infrastructure and Science and I am aware he discussed some of these matters with the Committee on 7 June. During his evidence, he also discussed the Digital Innovation review currently being carried out by Professor Phil Brown. As this work progresses I will be keen to ensure the needs of the agriculture industry are addressed.

Welsh Government preparedness

With regard to calls for the development of a precision agriculture strategy, I am clear that in respect of my portfolio responsibilities, it is better to consider precision agriculture within the context of a much broader modernisation agenda. I am working closely with the industry to ensure our policies, our regulatory framework and our support mechanisms all work together to ensure a prosperous and resilient agriculture sector for Wales.

Precision agriculture offers farmers the opportunity to use technology and innovation to increase productivity and build resilience into their businesses. We all need to work together across the industry to ensure these businesses capitalise on the opportunities available to them.

Regards
Lesley

Lesley Griffiths AC/AM

Ysgrifennydd y Cabinet dros Ynni, Cynllunio a Materion Gwledig
Cabinet Secretary for Energy, Planning and Rural Affairs

Russell George AM
Chair, Economy, Infrastructure and Skills Committee
By email

26 June 2018

Dear Russell,

Forward work programme: areas of shared interest

The Children, Young People and Education Committee recently considered its forward work programme. Members agreed a number of priorities, two of which overlap with the Economy, Infrastructure and Skills (EIS) Committee's portfolio:

- Post-legislative scrutiny: Higher Education (Wales) Act 2015
- Pre-legislative scrutiny: TERCW and Reforming Post-Compulsory Education and Training (PCET)

In light of the Committee's existing commitments, it is unlikely that work on these areas will begin until spring/summer 2019. You will, however, be aware of the technical briefing on the PCET legislation that has been offered to us on 20 September 2018 and I look forward to welcoming any Members of EIS Committee who wish to attend.

Given our shared interest in these areas, I will ensure that the Committee Clerk provides regular updates to the Clerk of the EIS Committee and explores any viable opportunities for joint working, if appropriate.

Yours sincerely,



Lynne Neagle AM
Chair



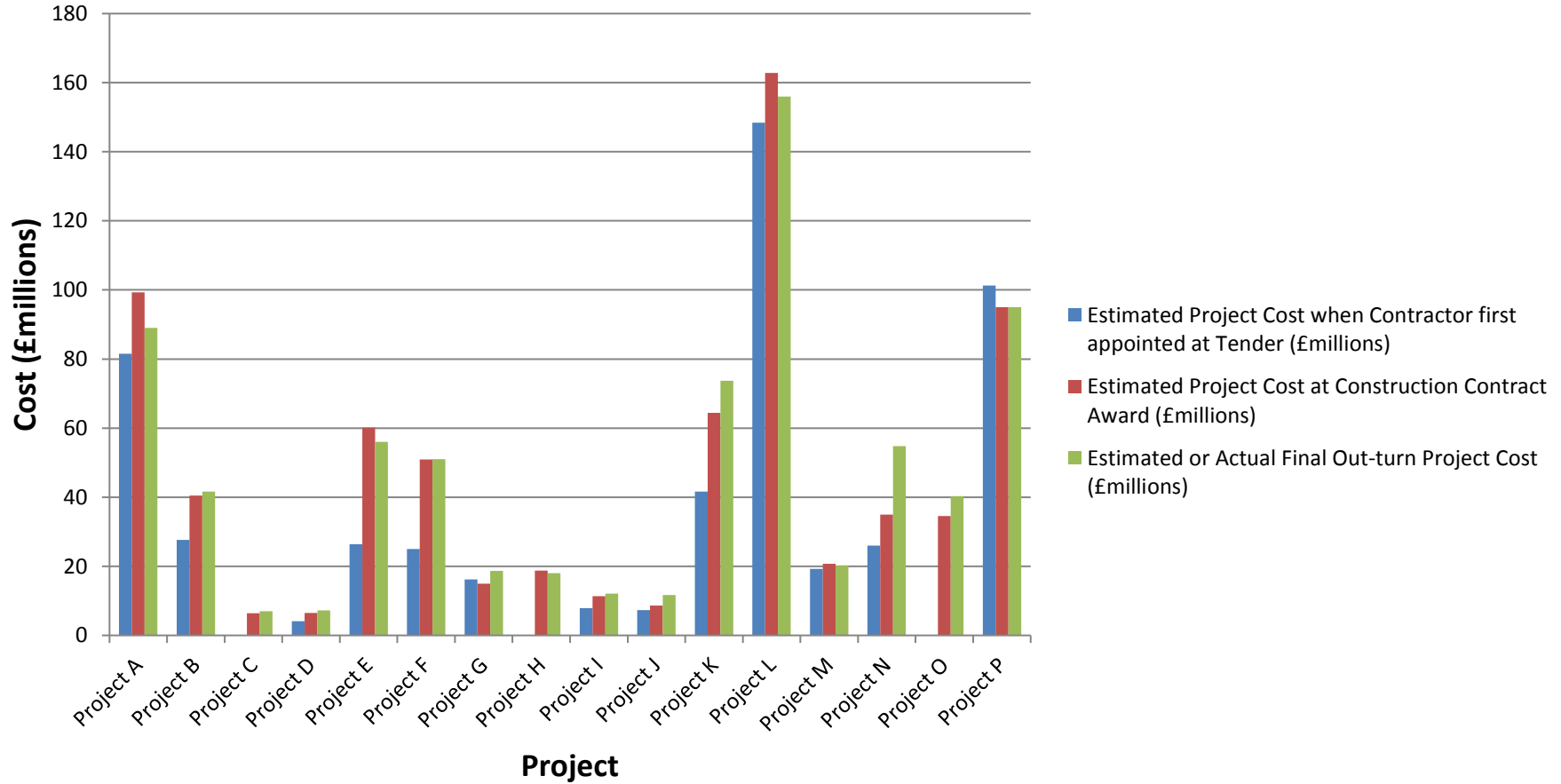
Agenda Item 5.5

	<i>Estimated Project Cost when Contractor first appointed at Tender (£millions)</i>	<i>Date of Estimated Project Cost when Contractor first appointed at Tender (£millions)</i>	<i>Estimated Project Cost at Construction Contract Award (£millions)</i>	<i>Date of Estimated Project Cost at Construction Contract Award (£millions)</i>	<i>Estimated or Actual Final Out-turn Project Cost (£millions)</i>	<i>Date of Estimated or Actual Final Out-turn Project Cost (£millions)</i>
Project A	81.5	Nov-02	99.3	Feb-07	89	Mar-10
Project B	27.6	Mar-05	40.5	Dec-08	41.6	Apr-11
Project C	0	Oct-08	6.4	Oct-08	7	Apr-11
Project D	4.1	Oct-06	6.48	Jan-10	7.2	Jun-11
Project E	26.4	Mar-94	60.1	Dec-09	56	Oct-11
Project F	25	01-Nov	50.9	Feb-10	51	Dec-11
Project G	16.18	Jan-11	14.97	Jan-12	18.7	Jun-13
Project H	0	TBC	18.75	TBC	18	Sep-13
Project I	7.9	TBC	11.33	TBC	12.1	Oct-13
Project J	7.3	Nov-07	8.61	TBC	11.7	Apr-14
Project K	41.6	Nov-06	64.4	Jan-12	73.7	Apr-14
Project L	148.4	Aug-09	162.8	Nov-12	156	Sep-15
Project M	19.28	Jun-14	20.71	Feb-17	20.2	Sep-18
Project N	26	Jan-15	34.99	Mar-16	54.8	Jul-17
Project O	0	Dec-15	34.57	Dec-15	40.3	Sep-18
Project P	101.3	Apr-13	95	Feb-16	95	Jun-18

Note: TBC used as data held in storage

Project Key	Scheme	Status	Construction Contract
Project A	M4 widening - Castleton to Coryton	Completed March 2010	NEC3 Option C - Target Cost
Project B	A40 St Clears to Haverfordwest	Completed April 2011	NEC3 Option C - Target Cost
Project C	A470 Penloyn to tan Lan, Llanrwst	Completed April 2011	NEC3 Option B - Bill of Quantities
Project D	A483 Four Crossess Relief Road	Completed July 2011	NEC3 Option A - Activity Schedule
Project E	A487 Porthmadog, Minffordd and Tremadog	Completed October 2011	NEC3 Option C - Target Cost
Project F	A470 Cwmbach to Newbridge	Completed December 2011	NEC3 Option C - Target Cost
Project G	A487 Glandyfi	Completed June 2013	NEC3 Option B - Bill of Quantities
Project H	A4810 Steelworks Access Road	Completed September 2013	NEC3 Option C - Target Cost
Project I	A470 Maes yr Helmau to Cross Foxes	Completed October 2013	NEC3 Option B - Bill of Quantities
Project J	A470 Gelligemlyn, Ganllwyd	Completed April 2014	NEC3 Option B - Bill of Quantities
Project K	A477 St Clears to Red roses	Completed April 2014	NEC3 Option C - Target Cost
Project L	A465 Abergavenny to Hirwaun - Section 3	Completed September 2015	NEC3 Option C - Target Cost
Project M	M4 Junction 28 Improvements	In construction	NEC3 Option C - Target Cost
Project N	A4232 Eastern Bay link	Completed July 2017	NEC3 Option C - Target Cost
Project O	M4 Brynglas Refurbishment	Completed July 2018	NEC3 Option C - Target Cost
Project P	A483/ A489 Newtown Bypass	In construction	NEC3 Option C - Target Cost

Project Costs at Tender, Construction Contract Award, and Out-turn



Chair, Children, Young People and Education Committee
Chair, Climate Change, Environment and Rural Affairs Committee
Chair, Culture, Welsh Language and Communications Committee
Chair, Economy, Infrastructure and Skills Committee
Chair, Equality, Local Government and Communities Committee
Chair, External Affairs and Additional Legislation Committee
Chair, Health, Social Care and Sport Committee

21 June 2018

Dear Committee Chairs

Welsh Government Draft Budget 2019–20

At our meeting on 21 June, the Finance Committee agreed its approach to the budget scrutiny. I am writing to all Chairs of subject committees to share our thinking, and to encourage your committees to consider how you can contribute to delivering the most coherent and effective scrutiny of the Government's spending plans.

Budget focus

We have agreed to continue the approach followed in previous years, whereby budget scrutiny is centred on the four principles of financial scrutiny: affordability, prioritisation, value for money and process. The principles are:

- **Affordability** – to look at the big picture of total revenue and expenditure, and whether these are appropriately balanced;
- **Prioritisation** – whether the division of allocations between different sectors/programmes is justifiable and coherent;
- **Value for money** – Essentially, are public bodies spending their allocations well – economy, efficiency and effectiveness (i.e.) outcomes; and
- **Budget processes** – are they effective and accessible and whether there is integration between corporate and service planning and performance and financial management.

Following a stakeholder event in Swansea, we have identified a number of areas which we would like to see the focus of the scrutiny, these are:



- *How the Welsh Government should use taxation and borrowing powers, particularly in relation to the Welsh Rate of Income Tax*
- *Approach to preventative spending and how is this represented in resource allocation (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early), particularly in relation to the financing of local health boards and health and social care services*
- *Sustainability of public services, innovation and service transformation*
- *Welsh Government policies to promote economic growth, reduce poverty, gender inequality and mitigate welfare reform*
- *The Welsh Government's planning and preparedness for Brexit*
- *How evidence is driving Welsh Government priority setting and budget allocations*
- *How the Future Generations Act is influencing policy making*

We would encourage you to use some of these areas as the focus for your budget scrutiny.

Draft budget consultation

As has been the previous practice, we will be undertaking a consultation on behalf of all Committees over the summer recess and the responses will be shared with you in the Autumn in order to assist your scrutiny of the draft budget.

I enclose a summary of the views we heard at the Finance Committee's pre-budget stakeholder event in Swansea on 7 June, which may inform your budget scrutiny.

Timetable

We have not yet been notified of the dates for the draft budget, the Cabinet Secretary for Finance is required to do this two weeks prior to summer recess. I have asked the Finance Committee Clerk to liaise with your Clerk once dates are known.

As you will be aware the provisions in relation to the reporting by policy committees changed in 2017, and you are now able to report in your own right (if you so wish), and your reports can be used as a supporting document to the draft budget debate.

As a Committee we are considering how we can maintain a strategic, oversight role of financial scrutiny. The Committee noted during our review of draft budget scrutiny in January 2018, the wide range of evidence gathered before and during



scrutiny last autumn, particularly in the health, local government and education areas. This led to insightful conclusions and recommendations, which we are pleased to see has been followed up throughout the year. We would welcome any views from you as to how the process may be improved.

If you have any questions about any aspect of the draft budget process, please feel free to contact me or the Clerk to the Finance Committee, Bethan Davies, 0300 200 6372, Bethan.Davies@assembly.Wales

Yours sincerely

A handwritten signature in black ink that reads "Simon Thomas". The signature is written in a cursive style with a large initial 'S'.

Simon Thomas

Chair



Stakeholder Engagement: Welsh Government Draft Budget 2019–20

Finance Committee | 13 June 2018

The Committee held an informal stakeholder event at the National Waterfront Museum, Swansea City Bay Region, on 07 June 2018. The event focussed on pre-budget scrutiny and the inquiry into preparations for replacing EU funding for Wales.

1. Preventative Spend, Health & Social Care

A major theme across all discussions was the importance of preventative spend, and putting a greater emphasis on preventative measures in the budgets for health and social care. Stakeholder views and experiences include the following:

- One delegate indicated that some preventative spend measures should act as investment on a community level, in order to continue the role that European Structural Funding has played in supporting communities and aiding prevention.
- Some stakeholders encouraged a linking of the preventative care & Future Generations agenda with regards to public health. An example offered by stakeholders is to include, within the Health Budget, specific funding for leisure centres, to help to promote long-term health through active lifestyles.
- Some stakeholders suggested that specific measures to improve health, including ring-fenced budgets, are preferable to simply allocating a larger proportion of the overall budget to Health, while others, in contrast, approved of the continued prioritisation and increases in the Health Budget.
- Another set of stakeholders suggested that consideration of greater interaction between health, research and research institutions should be made. One stakeholder indicated investing more of the Health Budget in Research and Development would lead to more targeted and efficient services.. Another stakeholder suggested that we consider how universities could be used to support the NHS and relieve it of some of its burdens.
- While stakeholders tended to agree that Active Travel is a good initiative, there were calls for a review of the degree to which it has been successful so far, of its long-term deliverability, and whether or not it requires additional funding.



- Stakeholders expressed concern that adult social services are being put under increasing pressure. Concern was expressed regarding the lack of funding allocated to older people and social care, suggesting that preventative spend is decreasing in this area.

2. Long-Term Planning & Strategies

Stakeholders consistently expressed dissatisfaction with all but NHS funding budgeted on an annual basis in Wales, calling for longer-term budgeting across the board for the sake of stability and certainty, and to enable better strategic planning, more efficient financial management and decision making.

Stakeholders said that long-term strategic planning and budgeting was also required for effective preventative & transformational spending. One third-sector organisation described a preventative care initiative of theirs which is funded – and, therefore, planned – on a rolling 6-month basis. The organisation describes this as inhibiting the initiative’s efficacy in delivering this preventative care. This sentiment was mirrored across a number of other third-sector stakeholders and local authority representatives, who claim that it will be difficult to sustain successful services over the long-term when budgeting is performed on a short-term basis. Specifically, local authority representatives suggested establishing funding arrangements for 2–3 year periods to ensure better planning and promote stability.

Stakeholders also emphasised the importance of the link between the Welsh Government’s strategic priorities and the Budget. Some delegates suggested that the Budget allocations should be more greatly influenced by the Well-being of Future Generations Act, by putting a greater focus on the environment and the need to develop skills in areas of long-term future value. Included within this is investment in skills which will prepare the workforce for automation and the widespread use of artificial intelligence throughout the economy, with one stakeholder claiming that the Government should be making far larger investments in such preparations. Further, a stakeholder stated that “the Welsh Government employability plan is good, but needs more funding allocated to it”.

Additional comments from stakeholders include the following:

- There should be officials in the Welsh Government who are tasked with discussing the impact of future legislation, policy and plans with local government, so that local authorities are aware early and can contribute to these potential changes.
- The National Farmers Union Wales currently have CAP 7-year funding programme, but are concerned this could drop to a 1-year funding programme after Brexit, meaning that the success of long-term planning may suffer.



- That Wales is very reactive in terms of construction at the moment: if we need something, we build it. Stakeholders said there was a need to be cleverer and more efficient with funding, and suggest the establishment of a hub–spoke model.
- That innovation is important to enable long–term saving.
- That there should be a clearer link between the Economic Action Plan and the Budget.

3. Economy, businesses & the Third Sector

A number of issues relating to the business and third sectors were raised by stakeholders.

A number of delegates highlighted the need for the Economic Action Plan to be reflected in the budget, to highlight where changes in government policy had led to changes in allocations.

One such issue raised by stakeholders was the lack of focus on small and medium–sized enterprises (SMEs). In particular, some stakeholders raised the problem of a limited number of exit plans available to SMEs, suggesting that options such as buy–outs from the Development Bank of Wales should be made more viable, rather than selling to large companies outside of Wales.

Another issue raised concerns grants that are available to businesses in Wales. Stakeholders noted that there are difficulties in obtaining grants from Business Wales, largely due to the lack of clarity and understanding on the criteria for eligibility for such grants. A similar uncertainty over eligibility criteria exists for the £50 million Brexit transition fund for businesses and public sector bodies: in particular, whether or not third sector organisations are eligible for funding in this manner.

Finally, some stakeholders raised concerns over the source of financing for the City Deals.

4. Education funding

Some stakeholders expressed concern that education funding had not been seen as a priority, and that other areas tended to overshadow it. They felt that this had led to the situation where capital investment in schools is now partially funded through the Mutual Investment Model, a form of Private Finance Initiative. They also highlighted that the uncertainty around annual allocations of local government revenue funding impacts on schools, who do not find out their budgets until relatively late on, which leads to redundancies.

5. Transparency & Scrutiny

Some stakeholders commented on the lack of transparency of the scrutiny process and details of spending. An example of this lack of transparency and detail raised by



stakeholders was the removal of the school uniform grant, which prompted one stakeholder to suggest that a year's notice should be provided by the Welsh Government in the event of budget cuts.

Others called for more scrutiny on budgetary increases, to ensure that value for money is achieved. The Finance Committee was asked to lead on this front, in terms of getting Committees to engage in the scrutiny process in order that the best questions are asked.

Stakeholders commented that the Assembly must ensure it has the resources and expertise to scrutinise newly devolved taxation and borrowing powers on behalf of the electorate, and that it could learn from Scotland in this regard.

The Finance Committee scrutiny of the budgets of organisations funded directly from the Welsh Consolidated Fund, such as the Assembly Commission, Auditor General for Wales and Public Service Ombudsman, should reflect changes to public sector funding.

6. Equality & Vulnerable Groups

The needs and representation of vulnerable groups, and how they are included in the Budget, were raised by a number of stakeholders. One discussion resulted in a call for more scrutiny of the "Equalities Impact Assessment", to assess and mitigate for over- or under-representation of certain interest groups in the Budget and budgeting process itself, and to assess the impact of proposals on protected characteristics. Calls were also made to engage further with disadvantaged and vulnerable groups, including young people, during the budgeting process, to remedy misrepresentation and recognise any harm to, or negligence of, such groups in the Budget.

Specific advisory comments advanced by stakeholders include: the requirement to consider the needs of people with disabilities in the Welsh Government's commitment to constructing 20,000 new homes by 2021; to continue the Independent Living Grant scheme; to consider how success will be ensured in post-16 reforms to the Additional Learning Needs Act without additional funding; and for the Welsh Government to commit to making preparations for mitigating the effects of welfare reforms.

7. Taxation

A suggestion offered by a stakeholder is to consider whether the setting of business rates should be more locally devolved, and whether taxes should be levied on income or on profits. Subsequent discussions resulted in the recommendation of thorough impact assessments to ensure that the impact of these considerations on very small businesses should be minimal, and that start-ups shouldn't be inhibited. Further, stakeholders called for efforts to be made to ensure that the tax systems isn't overly complicated.



Calls were also made by stakeholders for greater consideration of the impact of tax on incomes of people as a whole. Stakeholders suggested looking at the wider impact of tax decisions, for example by looking at demographics and the impact on the population, and how this links into council tax. Stakeholders also asked what modelling is being done in this respect, and say that greater transparency with respect to the research underpinning tax rates is needed.

8. Attitudes & Approaches

A number of general comments in relation to the required attitudes and approaches to ensure successful government were made. These include:

- The need to foster an atmosphere of ambition rather than negativity.
- An attempt to make the Budget more connected, so that the separate budgets support each other.
- The need to obtain better evidence on the degree of success of Welsh Government projects.



Agenda Item 5.7

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport



Llywodraeth Cymru
Welsh Government

Angus MacNeil MP
Chair
House of Commons Select Committee on International Trade

21 June 2018

Dear Angus

I welcome the opportunity to give written evidence to your committee's inquiry into the appropriate level of transparency and scrutiny of UK trade strategy and negotiations post Brexit.

May I begin by stating that the Welsh Government believes it is imperative that the UK Government engages comprehensively and effectively with the devolved institutions on the development of trade policy, on mandates for specific trade negotiations and on the negotiations themselves to ensure the future UK trade relationships work in the interests of the whole of the UK. It is essential that there is fairness and transparency in how future trade agreements are reached

Wales is an outward-looking, globally trading nation and we have a significant interest in trade. Whilst we accept that international trade is a reserved matter, there are clearly devolved interests, such as agriculture, which intersect with UK trade policy and there are clear risks to Wales if the UK Government's future trade policy does not adequately represent the needs of Welsh industry. It is vital that Welsh Government is involved early in the process of negotiating any future free trade agreements so we can effectively share information and influence outcomes.

I must emphasise that underpinning all our answers to the specific questions you pose is the call for the establishment of a Council for Ministers, whose remit would include consultation on trade issues between the four administrations. In the meantime, and as an interim step pending the substantial reform of inter-governmental machinery we believe a Joint Ministerial Committee (JMC) on International Trade should be established to enable timely and comprehensive consultation on overall trade policy and individual trade negotiations.

In addressing the questions you raise, I would wish to stress that I am responding on behalf of the Welsh Government and do not presume to speak for the National Assembly as a legislature. I would anticipate that they would wish to respond separately

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Turning now to your specific questions, our responses are:

1. Which documents pertaining to trade policy and negotiations should the Government make publicly available – and which should remain confidential?

Public interest in trade policy has increased in recent years. In developing trade policy for the UK going forward, the UK Government needs to ensure that it works with Devolved Administrations, consults with citizens and businesses and talks to civil society – ensuring that all stakeholders are included from the start.

We are supportive of the EU approach to transparency and would support a similar system being adopted in the UK. We propose the following:

- Publication of the negotiating mandate and any Impact Assessments that accompany the mandate.
- Publication of negotiating round reports – to keep the public up to date with progress.
- Publication of the negotiated agreement, without waiting for the full legal revision to be completed.

2. What level of access should Parliament and the devolved administrations and legislatures have to trade policy documents, including trade negotiation texts?

We have addressed above the issue of which documents should be publicly available.

Welsh Government fully understands that a certain level of confidentiality is necessary to protect the UK position in a negotiation, but our starting point is that there are well established protocols for sharing sensitive and confidential information between the UK Government and the Devolved Administrations on a privileged basis. We therefore believe that the UK Government should share with the Devolved Administrations trade policy documents and detailed updates on negotiations and on evolving negotiating strategy and tactics, especially insofar as they relate to areas of devolved competence. All parties need to work to build trust, allowing the sharing of documents in confidence. We propose the following mechanisms to help with this:

- The creation of a Joint Ministerial Committee on International Trade would be a big step to providing the governance structure needed to allow Ministers from the four administrations to work together to agree on priorities for trade negotiations, particularly in respect of areas of devolved competence.
- Supporting this forum with a Senior Officials level group would provide the forum for administrations to be able to openly share documents throughout the negotiations process.
- In areas of devolved competence Welsh Government should be part of the negotiations – whether that is ‘in the room’ or ‘in the room next door’.

3. How should the Government consult business and civil society groups on trade policy matters, including prospective and on-going trade negotiations?

Again we are supportive of the EU approach to consultation and would support a similar system being adopted in the UK. We propose the following:

- Formal consultation before the mandate is signed off and published – allowing stakeholders to comment on the mandate and impact assessments.

- Potentially, using the Joint Ministerial Committee on International Trade as a conduit for stakeholder consultation, particularly in respect of stakeholders in the devolved nations.
- A UK wide Advisory Group with representatives across businesses and civil society – ensuring that the UK Government has to take in to account the interests of stakeholders across the whole of the UK which would allow views on the mandate and negotiating round reports to feed back to negotiating teams.
- A stakeholder round table, including representation from the respective legislatures, in each of the four administrations, that feeds in to the Advisory Group – again allowing views on mandate and negotiating round reports to feed back to negotiating teams.

4. What role should Parliament and devolved administrations and legislatures have in drafting and/or approving the UK's negotiating mandate for trade negotiations?

A Joint Ministerial Committee on International Trade would provide the governance structure needed to allow Ministers from the four administrations to work together to agree a negotiating mandate for trade negotiations.

Despite trade being a reserved matter, trade has significant intersection with devolved powers in areas like environmental standards, economic development, agriculture and skills and qualifications. Hence decisions on the new trading relationships with the EU and wider world must be taken in close co-operation between the UK Government and Devolved Administrations in order to reflect the interests of the whole of the UK.

We would anticipate that the Welsh Government would be responsible for seeking the views of the National Assembly and informing the National Assembly of the representations it has made within the Joint Ministerial Committee on International Trade while respecting the confidentiality of matters under discussion.

5. What procedures should be in place for the UK Parliament and devolved administrations/legislatures to scrutinise trade agreements as they are being negotiated?

Again a Joint Ministerial Committee on International Trade and supporting Senior Officials Group would provide the governance structure needed to allow Ministers from the four administrations to scrutinise a negotiating mandate for trade negotiations in a strictly confidential way. We are also calling for Welsh Government officials to be part of the negotiations in areas of devolved competence.

We have also proposed that the UK adopts a European style remit to transparency and hence publishes negotiating round reports.

We would anticipate that the Welsh Government would formally consult the National Assembly (via appropriate Committees) on documents put into the public domain by the UK Government, notably the draft negotiating mandate and impact assessments in order to inform its input into inter-governmental discussions on trade issues.

6. What powers should Parliament and the devolved administrations and legislatures have over the ratification and implementing legislation of UK trade agreements?

We believe that any responsible UK Government would want to avoid major constitutional disputes over the implementation of trade agreements which might impact on, or require changes to policies within devolved competence. This is best achieved by early, full and meaningful consultation with the Devolved Administrations (and, through them, devolved legislatures) when agreeing – and, if necessary, departing from - negotiating mandates. A policy of inclusive policy development and ‘no surprises’ will ensure that trade agreements can be ratified and implemented without resorting to the legal powers which the UK Government currently possesses to force devolved institutions to comply with agreements which it has negotiated.

I look forward to reading the report of your inquiry in due course.

I am copying this letter to the Secretary of State for Wales, Alun Cairns; Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown MSP; The Minister for UK Negotiations on Scotland’s Place in Europe, Michael Russell MSP; David Sterling as Head of the Northern Ireland Civil Service as well as the Chairs of the External Affairs and Additional Legislation and the Economy, Infrastructure and Skills Committees of the National Assembly

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Skates', with a long, sweeping flourish above the name.

Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport

Agenda Item 7

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Agenda Item 8

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Agenda Item 9

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