

Enterprise and Business Committee

Lleoliad:
Committee Room 3 – Senedd

Dyddiad:
22 September 2011

Amser:
09:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



I gael rhagor o wybodaeth, cysylltwch â:

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Agenda

1. Apologies, Introductions and Substitutions

2. Ministerial Scrutiny Session : Regeneration (9:30 – 10:15) (Pages 1 – 5)

- Huw Lewis, Minister for Housing, Regeneration and Heritage
- Richard Harris – Deputy Director Strategic Regeneration and Heads of the Valleys
- Chris Warner – Head of Policy – Regeneration

3. Ministerial Scrutiny Session : European Programmes (10:15 – 11:00) (Pages 6 – 11)

- Alun Davies, Deputy Minister for Agriculture, Food, Fisheries and European Programmes
- Damien O'Brien, WEFO Director
- Jane McMillan, Acting Director Programme Management and Finance Division, WEFO

4. Ministerial Scrutiny Session : Business, Enterprise, Technology and Science (11:00 – 12:00) (Pages 12 – 16)

- Edwina Hart, Minister for Business, Enterprise, Technology and Science

5. Papers to Note (Pages 17 – 55)

- Correspondence from Leighton Andrews, Minister for Education and Skills re

Enterprise and Business Committee meeting on 13 July 2011

- Correspondence from Carl Sargeant, Minister for Local Government and Communities re Enterprise and Business Committee meeting on 13 July 2011

Enterprise and Business Committee EBC(4)-02-11

Paper 1

Evidence from Huw Lewis, Minister for Housing, Regeneration and Heritage

My Regeneration Priorities

1. Context

1.1 Regeneration is about people and places. Regeneration aims to make sustainable places over the long term in order to improve the quality of life of the people who live and work in and around those places.

1.2 The term regeneration covers a variety of activities, from sustaining distinctiveness in physical renewal of urban spaces to improve economic viability and address market failures, to working with people in their communities to tackle underlying causes of deprivation. Physical regeneration is often characterised as involving reversing or avoiding the decline of areas, or biasing investment towards areas which are disadvantaged and would not otherwise benefit from investment due to a combination of market failures. Such activities take place all over Wales through different organisations and partnerships.

1.3 The Welsh Government has a number of programmes that specifically aim to support regeneration, from Communities First to the Rural Development Plan. We also use investment across a range of departments to stimulate regeneration.

2. Existing regeneration policy for my portfolio

2.1 In October 2010, the then One Wales Government published the Framework for Regeneration Areas:
wales.gov.uk/docs/desh/publications/101018regenareasframeworken.pdf.

2.2 To support the implementation of the Framework, a National Regeneration Panel was established. The Panel, which is chaired by Viv Sugar, comprises the following organisations:

- Welsh Government
- Welsh Local Government Association
- Welsh Social Enterprise Coalition
- Wales Council for Voluntary Action
- Wales Co-operative Centre
- Royal Institution of Chartered Surveyors
- Regeneration Skills Collective Wales
- Federation of Small Businesses
- Community Housing Cymru

- Groundwork Wales

2.3 The Framework remains Government policy, although it may in time be superseded by future policy work. I have retained the National Regeneration Panel and very much welcome its continuing input and advice.

2.4 The Government, and regeneration professions and organisations, also benefit from the work of the Centre for Regeneration Excellence Wales (CREW): www.regenwales.org. I am currently considering the most appropriate way to take forward this work, beyond the existing funding arrangements for CREW, which expire in March 2012.

3. Existing activity within my regeneration budget

3.1 The Framework for Regeneration Areas was a stocktake of the Regeneration Areas approach, which was developed using the model of the Heads of the Valleys Programme established in 2005. Regeneration Areas aim to address inequalities experienced across geographical areas in Wales by investing in places that are currently under-performing, both economically and in terms of wellbeing, in order to raise their performance. By investing in areas that are currently under-performing, the aim is to improve overall levels of prosperity and wellbeing in Wales as a whole. It seeks to take advantage of investment opportunities that will lead to sustainable development in urban and rural hubs.

3.2 This approach is now being used in six more Regeneration Areas across Wales: Aberystwyth, Barry, Môn a Menai, North Wales Coast, Swansea, and Western Valleys.

3.3 In addition, the Department for Housing, Regeneration and Heritage also supports the following organisations and partnerships engaged in regeneration activity:

- Newport Unlimited (www.newportunlimited.co.uk)
- Cardiff Harbour Authority (www.cardiffharbour.com)
- Valleys Regional Park (www.thevalleys.org.uk)
- Coalfields Regeneration Trust (www.coalfields-regen.org.uk)
- Groundwork Wales (www.wales.groundwork.org.uk)

3.4 I also have portfolio responsibility for the Regeneration Investment Fund for Wales: www.rifw.co.uk.

4. Cross-cutting regeneration activity

4.1 Regeneration is cross-cutting and as such requires close collaboration across Government portfolios and across the public, private and voluntary sectors. Successful collaborations across Government and beyond include:

- Investment in further education reconfiguration in the Heads of the Valleys to create a landmark centres of learning in Merthyr Tydfil and Ebbw Vale.
- The Heart and Soul Campaign – a common approach to place marketing across the Valleys, which has already won three awards.
- The National Station Improvement Programme plus, using public sector investment in Swansea Regeneration Area to enable a pan Wales European-funded project worth £37m.

4.2 Through the creation of my portfolio, the Government has recognised the particularly important role that both Housing and Heritage can play in Regeneration. Housing capital investment, for example, has been a key driver of renewal in deprived areas, in particular through efforts to meet the Welsh Housing Quality Standard, and the quality of housing has a significant effect on people's mental and physical health outcomes. The historic environment provides both economic assets (monuments that encourage tourism, for example) and the distinctiveness that can help shape regeneration activity in a particular area. And the arts and sport provide a range of community development opportunities with economic and social benefits.

4.3 I am determined to make the most of the links between the three parts of my portfolio, building on successes to date. These successes include:

Housing

- Investing £30m in a portfolio of home energy efficiency and renewable energy schemes in Regeneration Areas to tackle fuel poverty and reduce energy use, leading to a pan-Wales European-funded phase 2 project.
- Maximising the community benefits of housing investment, in terms of targeted recruitment and training and local supply chain development, leading to the creation of the Can Do toolkits.

The Historic Environment

- Using urban characterisation work on key settlements such as Merthyr Tydfil to demonstrate the value of heritage and identify where it has a positive role to play in regeneration that respects local distinctiveness. Making the most of historic assets, such as the Castle and the Hafod (Copperopolis) projects in Swansea.
Working with British Waterways and CREW to promote best practice on the use of waterways heritage in regeneration that links people and places.
- Levering in investment such as the Heritage Lottery Fund's Townscape Heritage Initiative (THI) to stimulate regeneration opportunities through historic building conservation.
- Working with communities, heritage partners and the tourism sector to connect individual sites with other heritage attractions and with the local community and the surrounding area, as well as to link to broader interpretive stories and themes.

Libraries, Museums and Archives

- Modernising public libraries to support services in deprived areas through the Community Learning Libraries Capital Grant Programme.
- Investing in museums to collect, reflect, care for and promote the history and material culture of communities, providing a sense of place and belonging as well as quality of life improvements
- Relocation of Gwent Record Office (now renamed Gwent Archives) to the General Offices, Ebbw Vale as part of the major regeneration project at The Works site.

Sport

- Piloting the Welsh School Games – Gemau Cymru, an innovative project involving a range of sports governing bodies, schools, the Urdd and our Major Events Unit.
- Continuing investment in Free Swimming as part of our efforts to increase physical activity levels and physical literacy.

Arts

- Successfully hosting the 2010 National Eisteddfod in the Heads of the Valleys.
- Continuing support for the regeneration of communities through projects such as Valley Kids, Head 4 Arts, Reach the Heights, Splash, Young Promoters and Community Music Wales.
- Investing in major capital projects, including Glynn Vivian Art Gallery in Swansea and the Pontio project in Bangor.

5. Future policy

5.1 Within my portfolio, my main priorities for the future are to deliver the manifesto commitments for which I am responsible, working across the Government. These commitments are:

- Continue our efforts to regenerate our town centres through planning policies breathing new life in to towns by safer & better quality design, developing family friendly environments & mixed use developments.
- Revive our seaside towns by investing in the infrastructure, renewal & regeneration of communities.

5.2 I welcome the Committee's inquiry about the regeneration of town centres, which will be very helpful informing our work on these commitments.

5.3 A number of other manifesto commitments across Ministerial portfolios have direct relevance and strong links to my own. Perhaps the most pertinent of these is:

- Continue to invest in our most deprived communities, integrating our Communities First Programme with all our regeneration activity and

ensuring that Communities First areas are a priority for funding across all Welsh Government programmes.

5.4 Over the coming months I will be considering how best to direct future investment from my portfolio. In doing so, I will be conscious of the need to:

- deliver the above manifesto commitments
- integrate regeneration activity across and beyond Government, including within my portfolio and with Communities First, within the framework of public service collaboration informed by the Simpson Review, and planned strategic infrastructure investments across Wales
- build on best practice and available evidence, including evaluations of current projects and programmes where appropriate
- make the most of the opportunities afforded by a further round of European funding.

Huw Lewis AM
Minister for Housing, Regeneration and Heritage

Agenda Item 3

Enterprise and Business Scrutiny Committee
22 September 2011

EBC(4)-02-11 Paper 2

Evidence from the Deputy Minister for Agriculture, Fisheries, Food and European Programmes

INTRODUCTION

1. I welcome the opportunity to set out my vision and priorities for European Programmes. I have already given evidence to the Environment and Sustainability Committee on the Agriculture, Food and Fisheries elements of my portfolio.
2. Having all European Programmes under a single portfolio provides me with a unique opportunity to increase synergies and coordination between these various funding streams and to use them more holistically, as part of a whole Government approach, to support sustainable growth and jobs.
3. European programmes will be closely aligned with the priorities of the Welsh Government in the context of the Europe 2020 strategy for smart, sustainable and inclusive growth.
4. I have also set out at Annex A the progress made on the relevant recommendations on Structural Funds programmes from the Enterprise and Learning Committee's very helpful legacy report.

VISION FOR EUROPEAN PROGRAMMES

5. To ensure our European Programmes are amongst the most successful in the EU in shaping the conditions for smart, sustainable and inclusive economic growth.

MISSION

6. To work with our partners in the private, public and third sectors across Wales to make best use of European Funds, by supporting strategic and innovative investments in our infrastructure, businesses, communities and people.

PRIORITIES

7. My priorities demand a balance between focussing on the delivery of existing EU programmes and preparing the ground for the efficient and effective delivery of EU programmes in Wales from 2014:

- (a) Ensure that current European Programmes are effectively implemented and deliver sustainable benefits for people, businesses and communities across Wales, in line with EU and Welsh Government policies;
- (b) Make a compelling case for Wales in discussions on the future of Cohesion and CAP policies at UK and EU levels, seeking to secure an outcome which fairly reflects our needs and provides the basis for shaping and strengthening an environment in Wales in which sustainable growth and jobs can be secured;
- (c) Work with our partners to develop European Programmes for the 2014–2020 period which will help contribute to a strong environment for growth and quality sustainable jobs, reflecting our shared ambitions for economic success;
- (d) Simplify and streamline the implementation of European Programmes, including by achieving stronger integration across EU funding streams and encouraging innovative approaches;
- (e) Maximise the take up of European funding opportunities by organisations across Wales, including in the private sector, and work with our partners to develop more sustainable funding solutions; and
- (f) Promote Wales as a region of excellence and innovation in the way European funds are deployed and share best practice with countries and regions across the EU.

KEY ISSUES OF STRATEGIC IMPORTANCE

8. The successful delivery of the current suite of EU programmes in Wales remains a key priority. These programmes have made an important contribution to helping us through some very difficult economic times.
9. We have now committed 81% of the Structural Funds programme budget to approved projects (over £1.5 billion of EU grant). These projects have already assisted 230,000 participants, of which over 68,000 have been supported to gain qualifications and some 28,500 helped into work. In addition, 5,700 businesses have been assisted, helping to create over 8,000 (gross) jobs and 1,750 new enterprises. We have also achieved all of the EC's (N+2) expenditure targets for 2011.
10. The current economic context, including volatility of exchange rates, remains challenging but I am committed to ensuring these programmes continue to support Welsh people, businesses and communities through these difficulties and at the same time lay the foundations for sustainable growth and jobs for the future.

11. Strategic decisions will also need to be made to help direct and shape the development of any new programmes. I will be discussing these issues with partners across Wales over the coming months with the aim of reaching a clear view on the direction of these programmes. Key issues for consideration include:
- (a) Identifying the **core priorities** for funding support under future EU programmes, including the need to make choices and to concentrate resources to maximise impact;
 - (b) The extent of geographical and spatial targeting, considering how the needs and opportunities of **urban and rural areas** can best be supported and how we might exploit the benefits of city-region approaches;
 - (c) Identifying the best ways of contributing towards the goals of **smart, sustainable and inclusive growth**, including use of innovative financial investment instruments;
 - (d) Considering the balance and scope for **integration** of the various EU funds in Wales whilst maximising the impact of these investments; and
 - (e) Reviewing **delivery approaches** with the aim of facilitating easier access to funds, while still ensuring high quality projects.
12. Once the broad direction for future EU programmes has been agreed, we will look to work with our partners on the detail of programmes. This will include consideration of the lessons learned from both the 2007–2013 and earlier programmes and the scope for simplifying and streamlining implementation arrangements and removing barriers to participation.

NEXT STEPS

- **October 2011:** First draft regulations governing the Structural Funds and the CAP published by the European Commission
- **November 2011 – December 2011:** “Reflection exercise” inviting early views from partners on the strategic direction future EU programmes should take
- **Early 2012:** Set out the Government’s planned vision and direction for future EU programmes in Wales
- **Early 2012 – Autumn 2012:** Development of programmes with partners
- **Autumn 2012:** Public consultation on future EU programmes

- **Spring 2013 – Autumn 2013:** Submission to European Commission and negotiation of programming documents
 - **2014:** Launch and delivery of EU programmes 2014–2020 in Wales
13. During this period we will work to ensure the Wales' voice is heard, building on our long standing relationships with the European Commission and other EU institutions and through attendance at Council of Ministers meetings as appropriate.
14. I will continue to work closely with our Welsh MEPs and with the UK Government, through the Joint Ministerial Council on Europe to pursue Welsh interests at all levels of the debate. We will continue to argue for simpler, fairer and more proportionate rules for the next round of programmes and for flexibility in the way we can use the funds to maximise the opportunities for sustainable growth and jobs in Wales.
15. I am also reviewing the Welsh Government's own internal structures and arrangements for partnership engagement to ensure that we employ a more integrated approach to the development of Post-2013 programmes.

ANNEX A: Response to the recommendations of the Enterprise and Learning Committee legacy report

I am conscious of the valuable contribution to the debate made by the Enterprise and Learning Committee of the previous Assembly, and set out below the current actions against the legacy report recommendations relating to EU Programmes.

<p>Recommendation 15. Progress with implementing the current Structural Funds Programmes should continue to be a subject for scrutiny in the Fourth Assembly. The relevant committee should request regular updates from the Welsh Government and should seek to investigate intra-regional differences and anomalies, as well as scrutiny of Wales's performance compared with other UK regions and the EU as a whole.</p>	<p>I will be happy to update the Committee on the progress of the Structural Fund Programmes. We are committed to transparency in the development and delivery of the programmes in Wales.</p> <p>Also, as part of its review of evidence to feed into the development of the new Structural Fund programmes the Welsh Government will be looking at lessons learned and best practice across the EU.</p>
<p>Recommendation 16. There is still a risk of both double-counting and under-counting project outcomes or successes, which might affect an individual's progress, and which should continue to be monitored in the Fourth Assembly. The Welsh Assembly Government is aware of these issues but should ensure data collection systems avoid such problems, including promoting local agreements where different project interventions overlap.</p>	<p>WEFO is satisfied that its participant level data collection system allows it to identify where an individual has participated in more than one project and to track the journey undertaken by participants as they progress from unemployment / inactivity to employment. A similar system is in place for ERDF where WEFO collects information relating to businesses supported.</p> <p>WEFO also advises projects on best practices to avoid double counting of outcomes between projects.</p>
<p>Recommendation 17. In addition, the Welsh Government should be encouraged to develop a fuller data set to monitor progress, beyond simply Gross Value Added (GVA).</p>	<p>The Welsh Government uses a variety of tracking indicators which provide the overall context for assessing the progress of West Wales and the Valleys. These include high level economic data, labour market data, innovation, skills, enterprise as well as data on social cohesion.</p>

<p>Recommendation 18. The impact of public sector funding cuts on the availability of match funding for Structural Funds projects should be closely monitored and, if necessary, contingency plans put in place.</p>	<p>This is very much part of WEFO's ongoing management of implementation risks.</p> <p>Revised EU intervention rates were agreed with the European Commission in 2009 which allow greater flexibility to mitigate potential match funding pressures.</p> <p>The All Wales Programme Monitoring Committee has asked to be kept informed of the impact of the CSR on match funding and discussed an update paper at its March 2011 meeting: (wefo.wales.gov.uk/programmes/allwalespmc/pmcmarch2011/?lang=en)</p>
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<p>Recommendation 19. WEFO should be challenged to work in partnership with all the projects in the 2007-13 Programmes on the design of sustainable solutions for the communities and individuals affected when those projects come to an end.</p>	<p>All projects are required to address the future sustainability of their activities as part of the business planning process and/or to develop appropriate exit strategies. Many existing projects will continue to deliver activities under the current programmes into 2015. Financial instruments such as JEREMIE and JESSICA will facilitate the recycling of funds beyond the current programme period.</p> <p>The sustainable impact of investments is a key consideration in project selection and investments such as those in training and up-skilling people, renewable energy and sustainable transport will deliver long-term benefits.</p>
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Agenda Item 4

**Enterprise and Business Committee
EBC(4)-02-11**

22 September 2011

Paper 3

Evidence from Minister for Business, Enterprise, Technology and Science

PAPER TO THE ENTERPRISE AND BUSINESS COMMITTEE

1. Introduction

I would like to thank the Enterprise and Business Committee for their invitation to set out the priorities for the Business, Enterprise, Technology and Science portfolio and to provide an update on issues from the legacy report. This Paper does not include the portfolio areas of the Deputy Minister for Agriculture, Food, Fisheries and European Programmes, as I understand that he has also been invited to attend the Committee.

2. Timing

This Paper is being prepared ahead of the Assembly session. Therefore, in order to be of most assistance to the Committee, I have taken the opportunity in this Paper to set out the key Government Commitments from my Portfolio and progress on those. I will be in a position to provide an oral update on the wider policy context and issues for the Committee Members when I attend the meeting.

3. Actions from the Legacy Report

<p>Recommendation 20. The Welsh Government should continue to be scrutinised on its joint working with the UK Government in clarifying timescales and securing adequate funding for delivering next generation broadband across the whole of Wales by 2015.</p>
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Following our discussions with the UK Government, they announced, in July, that Wales will receive £56.9m (this includes the £10m already allocated in February) from a broadband fund worth £530m to be invested in this Parliamentary term. This funding will support our Next Generation Broadband for Wales (NGBW) project to roll-out high-speed broadband across Wales. We will also secure significant private sector investment towards this project as well as leveraging funding from the European Regional Development Fund.

On 15 and 16 August, UK Government announced the remaining allocations of funding to Scotland, Northern Ireland and the English Local Authorities. In total, only £425m has been allocated, the remaining £105m has been kept back as contingency funding to be allocated at a later date. I have asked my officials to work closely with the UK Government to push for additional funding from the remaining £105m.

Recommendation 21. The Welsh Government should continue to be held to account: first in ensuring cost-benefit analyses are carried out before pursuing any change in economic development strategies, and secondly on rigorously measuring and evaluating the success of the Economic Renewal Programme.

Cost-benefit analyses can provide important contributions to the appraisal of alternative strategy and policy options. Consideration of wider evidence is also needed to ensure that strategies and policies not only lead to value for money interventions but also have sound rationales. I am fully committed to ensuring effective monitoring and evaluation, particularly in terms of achieving value for money.

Recommendation 31. A future committee should also scrutinise the new science policy for Wales, which is being led by the Chief Scientific Adviser, to ensure it contributes to the commercialisation of Welsh ideas within the science, technology, engineering and mathematics (STEM) subjects.

The 'Science for Wales' report and recommendations, prepared by the Chief Scientific Adviser for Wales and the Science Advisory Council for Wales, which sets out outline proposals for the new policy, is currently out to consultation. The consultation with key stakeholders will continue until the end of September. The final policy will then be agreed and published. The policy will be a relatively high-level overarching strategy. Implementation plans, as appropriate, will follow for various aspects of the policy.

4. Key commitments

Broadband

Commitment - seek to ensure that all residential premises and all businesses in Wales will have access to Next Generation Broadband by 2015, with the ambition that 50 per cent or more have access to 100Mbps.

We are committed to ensuring that all businesses and residential premises in Wales will have access to Next Generation broadband by 2015. 50% or more are expected to have access to 100Mbps. The Next Generation Broadband for Wales (NGBW) project aims to ensure that all businesses and households in Wales have access to high speed broadband by 2015. A major procurement to purchase a next generation broadband solution for areas of Wales that will not be addressed by the market in Wales is currently underway. Using the competitive dialogue procedure, contract award is planned for March 2012. Bidders have been invited to submit plans for next generation broadband roll out and these plans will be refined over the coming months in consultation with key stakeholders, such as Local Authorities. It is expected that the roll out of infrastructure to begin from summer 2012.

The Broadband Support Scheme is also progressing well. The scheme provides a grant of up to £1,000 to residents, businesses and third sector organisations located in broadband notspots to obtain a broadband connection using the most appropriate

technology available. The scheme has seen good take-up so far, and we are working with a number of communities to bring decent broadband services to their area for the first time. I have also recently approved changes to the scheme to simplify the application process and increase the customer base, including the extension of the eligibility criteria from sub-512Kbps connectivity to sub-2Mbps connectivity and the option to pay suppliers directly.

Business Support

Commitment - Support high performing, quality companies in all those parts of the economy which can create employment, wealth and a sustainable Wales.

Six priority sectors have already been established: ICT, Energy & Environment, Advanced Materials & Manufacturing, Creative Industries, Life Sciences, and Financial & Professional Services. I am also currently considering establishing a further three sectors – agri-food, construction and tourism.

Each of the sectors is developing a targeted strategy to make a real difference to these sectors in Wales. They all have Sector Panels, made up of successful and knowledgeable business people and academics, to help develop these strategies and guide in their implementation and to ensure that the views of industry are reflected in our delivery priorities and method of approach. The panels will provide advice on identifying sectoral priorities and methods of approach to ensure that we achieve maximum economic benefit.

Commitment - we will expect any business seeking Assembly Government support, including public procurement contracts, to sign up to our principles of corporate social responsibility, with a commitment to sustainable development, training and good employment practice.

The Welsh Government will expect any business seeking support to sign up to the principles of corporate social responsibility and encourage its suppliers likewise. It is my aspiration for the Department for Business, Enterprise, Technology and Science to be an exemplar in this regard. I have asked officials to begin work on this, with the social partners to establish the appropriate levels of corporate social responsibility.

Commitment - we will continue to build strong links with our anchor companies and develop strategic, mutually supportive/beneficial relationships with these key companies, embedding them in the Welsh economy through developing close links with our further and higher educational institutions and maximising supply chain opportunities.

The aim is to build strategic relationships with such companies, and take a whole-Government view of their needs. Significant progress has been made with establishing anchor companies, and over thirty companies have been approved as anchor businesses and have accepted the status. The alignment to academia is key. In addition, a key priority for the work of the Department will be mapping and understanding the effects of the supply chain and the benefits that accrue.

Commitment - seek to establish a Wales Business Crime Unit to tackle business crime.

We want Wales to be an excellent place to do business and this means addressing key business concerns and barriers to business growth. With the costs of business crime rising, we are reviewing the work previously undertaken in Wales on business crime and will develop proposals with the business community, the Welsh police forces and other interested parties to establish a Wales Business Crime Unit.

Entrepreneurship

Commitment - we will review what entrepreneurial support is needed by start-up and small firms with real potential to thrive and grow, and how we can embed an entrepreneurial culture in Wales.

Since I took up office, I have had extensive engagement with business leaders, entrepreneurs and industry professionals from across Wales to discuss the barriers to business and how we can move the economic recovery forward. I am taking action to assess the requirements of micro enterprise and what active government intervention is required to provide the support necessary to aid growth and sustainability. In light of this, the options for the future delivery of the regional business support service are being revisited.

Social Enterprise

Commitment - we will ensure that the mutual and cooperative sector has access to appropriate and robust business advice and that the Ministerial lead will be in the Economy Department.

Responsibility for developing the role of the mutual and cooperative sector in the Welsh economy, now resides within my portfolio. This positioning alongside the other business and enterprise activities will assist the sector, from small cooperatives to large mutuals, to access further the full range of business information as well as tailored advice.

Tourism

Commitment - activity and niche markets must be developed as well as securing maximum benefit from major events in our high profile venues.

Commitment - promote Wales as a destination making a high quality tourism offer. Work to extend the tourism season and associated benefits. Identify funding opportunities to improve the visitor infrastructure and product in Wales. Support investment in staff training and management to support a high quality industry.

Promoting Wales as a destination remains a key function, assisted by EU funding over the next few years. The Strategic Marketing Action Plan 2010-13, which has been agreed with and developed for the industry will continue to focus future tourism marketing activities. Developing the potential of events and activity holidays will continue to be a priority to help extend the tourism season. In this context, EU

funded support for the creation of seven Centres of Excellence will help to enhance the activity offer in Wales.

The Tourism Investment Support Scheme (TISS) has recently been extended to provide support to visitor infrastructure projects and new capacity projects to ensure that the visitor experience is enhanced. Regeneration and Rural Development programmes are already making significant investments in local infrastructure schemes.

The four Regional Tourism Partnerships lead on training provision for businesses within their areas. A current ESF Funded Pilot project (over 18 months up to December 2011) administered by People 1st, the Sector Skills Council for Hospitality and Tourism Sector, will be reviewed at the end of the year to determine ongoing support for up skilling across the Hospitality and Tourism Sector at different levels.

Digital Wales

Commitment - implement the Assembly Government's Digital Wales strategy, using digital technologies. The commitment includes opening up opportunities, creating even greater accountability and transparency, and establishing a web gateway on what Wales can offer.

The Digital Wales strategy seeks to exploit the opportunities and manage the risks arising from the growth of the digital economy and society in Wales. It brings together a large number of activities, issues and goals, structured around five strategic themes: Competitiveness, Skills, Inclusion, Public Services and Infrastructure. Achieving the goals will require co-ordinated action and support from public and private sector partners across Wales.

5. Summary

We intend to support high performing, quality companies in all those parts of the economy which can create employment, wealth and a sustainable Wales. Economic recovery requires action to build a fairer, sustainable future, and jobs and the economy must be an over-riding priority in the next term.

A range of actions, across all portfolios, are needed to support this economic recovery. These include proposals to raise skill levels, reduce youth unemployment and provide the support necessary for better economic conditions in Wales. More details of my priorities following my review, will be announced shortly.

Leighton Andrews AC / AM
Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref : SF-LA-5496-11

Andrew R T Davies AM
Chair, Enterprise and Business Committee,
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

29 July 2011

Dear Andrew

Thank you for your letter of 15th July following attendance at the Enterprise and Business Committee. You requested some additional information on three topics and I am pleased to be able to respond to these requests.

Enclosed you will find an update covering each element of the Youth Engagement and Employment Action Plan. There is much progress to report here. For example, three Intermediate Labour Market pilots have now commenced in North Wales, West Wales and the Heads of the Valleys. These are supporting young people aged 16-17 into paid employment. The pilots will create at least 180 placements and the learning generated through the pilot will help inform our approach to delivery of the Welsh Jobs Fund.

I hope that you will agree with me that we are also making real strides in reducing drop-out rates for apprenticeships. The headline figures here are a drop from 27% in 2007/08 to just 16% in 2009/10. The information provided gives a full breakdown by programme type.

Finally, in responding to your request for more information on the gender split in construction training, I attach information from our Work-based Learning programmes. The challenge of raising the level of engagement by females in the construction sector is significant in Wales, as it is across the UK. Information on actions in Wales to support greater female engagement is provided.

I hope that this information provides a full response in line with the expectations of the Committee and I look forward to working with you and the Committee over the course of this term.

*Yours sincerely,
Leighton Andrews*

Leighton Andrews AC / AM

Y Gweinidog Addysg a Sgiliau
Minister for Education and Skills

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence: Leighton.Andrews@wales.gsi.gov.uk
Printed on 100% recycled paper

YOUTH ENGAGEMENT AND EMPLOYMENT ACTION PLAN
2011 – 2015 (July 2011 update)

No.	Youth Engagement and Employment Action Plan	Timing	Update
1	<p>Ensure Welsh Assembly Government initiatives enhance but do not duplicate programmes introduced by DWP welfare reforms.</p>	<p>April 2011</p>	<p>Work Programme launched in Wales 16 June 2011. Both successful delivery providers invited to attend the Joint Employment Delivery Board helping to ensure that WP activities align and do not duplicate Welsh Government Provision;</p> <ul style="list-style-type: none"> - WEFO has issued revised eligibility criteria for ESF projects delivering under the Increasing Employment and Tackling Economic Inactivity Priority in order to ensure additionality of ESF projects over and above Work Programme provision; - Work ongoing to develop a better understanding of core DWP/ Welsh Government products for employers and to promote a better understanding with respective employer facing 'advisers' - Welsh Government engaged with the DWP Innovation Fund for Youth Employment to ensure it complements Welsh Government and other youth provision and services.

No.	Youth Engagement and Employment Action Plan	Timing	Update
2	<p>Pilot a new 'Pathway to Work' for 16-17 year olds which is not a new programme but the creation of a single, flexible and coherent 'route' for young people. This route would combine current approaches, enhanced where necessary, into a programme which offers a flexible but integrated and continuous journey towards sustainable employment or other positive outcome. Achievements of the young person will be celebrated at key points along the pathway, including soft skills achievements.</p>	November 2011	<p>A Steering Group has been established to provide advice and support to the Welsh Government on the development and implementation of the Pathways to Work concept across Wales. The next meeting will take place on 27th July.</p> <p>A marketing company has been contracted to support the marketing and communication of Pathways to Work. Initial marketing visuals and communications concepts have been completed and are currently being market tested with young people. A feasibility study has been completed on developing an online community for Pathways to Work.</p> <p>An initial review of NEET delivery commenced via initial mapping exercise to understand what provision underpins the Pathway to Work is to be followed up by more detailed analysis to be completed end of December 2011.</p>

No.	Youth Engagement and Employment Action Plan	Timing	Update
			<p>Supplementing the Pathway to work concept:</p> <ul style="list-style-type: none"> • Three Vacancy matching pilots have been established to test whether a personalised, individual-to-vacancy matching approach backed up by post-employment training and mentoring, could get more unemployed young people into vacancies and then sustain employment. The projects are taking place in partnership between Welsh Government, Careers Wales and Job Centre plus in Blackwood, Cardiff and Haverfordwest and Pembroke. To further promote the service with employers and young people, employer engagement events are taking place in June and July across the 3 pilot areas. • Intermediate Labour Market Programme (ILM) – 3 pilots have commenced (North Wales, West Wales and Heads of the Valleys) and will support young people aged 16-17 into paid employment at minimum wage or above for a 6 month period. This will create at least 180 placements.

No.	Youth Engagement and Employment Action Plan	Timing	Update
3	Carry out a review of existing funding and provision for young people who are NEET from across Wales, including European Social Fund programmes, to inform and introduce a revised process for the approval of the youth engagement and employment projects ensuring that resources and activities meet need, are not duplicated and offer the best possible service to the young person.	March 2012	Review of NEET delivery commenced via initial mapping exercise, to be followed up by more detailed analysis to be completed end of December 2011.
4	Seek to extend the opportunities available for young people to enter apprenticeship programmes, including development of the Pathways to Apprenticeships initiative and Young Recruits programme as part of the apprenticeship offer.	March 2011	Pathways to Apprenticeships and Young Recruits programmes developed and implemented as part of the broader apprenticeship offer. Online Apprenticeship Vacancy Matching Service rolled out as an all-Wales pilot on 15 th June 2011.
5	Introduce the use of social clauses in Welsh Assembly Government and wider public sector procurement contracts to create youth employment, work experience and training opportunities wherever practical, including assistance for those in receipt of grants and government support.	Ongoing	Work is underway to promote social clauses/community benefits in contracts across the Welsh Government. The Youth Engagement and Employment Team have been involved in the promotion of social benefits to create opportunities for young people in development of new contracts within the Welsh Government, for example, the new Housing Project.

No.	Youth Engagement and Employment Action Plan	Timing	Update
6	<p>Increase opportunities for work experience for those ages 14-24 across Wales, including extending opportunities within the Welsh Assembly Government, wider public sector, private and voluntary sector.</p>	Ongoing	<p>The Youth Engagement and Employment Unit also is a member of the sustainable benefits board, which is chaired by Value Wales.</p> <p>We have established the 'Real Conversation' which aims to support young people into employment by bringing employers, young people and practitioners together to improve work experience and employment opportunities for those aged 14-24. The Real Conversation hopes to promote the real benefits and value of work experience for a young person to enable them to gain a satisfying career in the future. A steering group has been established, from internal and external organisations, to develop and support the delivery of the Real Conversation.</p> <p>The first event took place in Cardiff in March and the delivery of actions is underway. The next Real Conversation event will be held in West Wales in the autumn and will focus on the labour market intelligence Project, specifically looking at the potential of developing a rating system of jobs across Wales</p>

No.	Youth Engagement and Employment Action Plan	Timing	Update
7	Establish a new team with overarching responsibility for youth engagement and employment.	October 2010	Youth Engagement & Employment Unit established in October 2010.
8	Seek to set the overall approach to youth engagement and employment in Wales. This will incorporate opportunities for vulnerable young people and those with additional learning needs, and will inform local authority leadership arrangements by building on positive initiatives from across all sectors (including private, voluntary and public sectors) and analysing NEET hotspots with a view to sharing good practice.	March 2012	<p>Youth Engagement and Employment Action Plan published in January 2011. Implementation of Action Plan being overseen by Youth Engagement and Employment Delivery Board.</p> <p>In January 2011, working closely with the Department for Education and Skills, the Welsh Government's Efficiency and Innovation Programme Work Stream commissioned a study of the approaches being taken in the local authorities of Swansea and Wrexham, as two areas that have reported some of the best and most improved results in Wales in terms of reducing the proportion of young people not in education, employment or training.</p> <p>The comprehensive study has involved semi-structured interviews and focus groups with staff at all levels in Wrexham and Swansea, a focus group with young people, a literature review on the costs of young people not in education, employment of training and the development of a cost appraisal model.</p>

No.	Youth Engagement and Employment Action Plan	Timing	Update
			<p>A final report and summary is now available and Delivery Board members have been requested to consider the information in respect of their respective areas of policy development. The report is due for publication on the Welsh Government's website in July 2011.</p> <p>Review of NEET delivery commenced via initial mapping exercise, to be followed up by more detailed analysis to be completed end of December 2011.</p>
9	<p>Ensure Children and Young People's Partnerships are working effectively and that all are brought to the standard of the best.</p>	<p>Ongoing</p>	<p>Children and Young People's Partnerships have completed consultations on their draft CYP Plans for 2011-14 and final versions are either published or being finalised. Comments from officials on draft versions were summarised and sent to each Partnership, enabling lead officials to provide feed back on their policy and programme areas. Further work to establish systems to evidence performance of partnerships awaits the result of current consideration by the WG of the wider landscape of partnerships and plans with a view to possible reduction in complexity.</p>

No.	Youth Engagement and Employment Action Plan	Timing	Update
10	Consider the role of the Youth Service in Wales and update guidance regarding its role in delivering the NEET agenda.	March 2012	The draft updated National Youth Service Strategy 2012 – 2015 contains a key objective on the theme of employability. The draft Strategy & Action Plan will be published for consultation, subject to Ministerial approval, later this year. It includes a range of suggested roles for youth workers to provide work based learning opportunities, foster volunteering opportunities and entrepreneurship skills in order to prevent young people from becoming NEET.
11	Develop an integrated approach to assisting families whose children may be at risk of becoming NEET.	Ongoing	The Families First initiative aims to establish the best ways to support families, improving the delivery of front line services and helping to focus on better outcomes for children and families. Two initial pioneer learning consortia areas were established across six LA areas in July 2010, one consortium in South Wales and one in North Wales. A further three consortia were established from 1 April 2011 bringing the total number of LAs involved in the pioneer phase of Families First to 14. An interim report on the learning so far, from the pioneers and from external analysis outside Wales, is due to be reported shortly. Full roll out of Families First is expected from 1 April 2012.

No.	Youth Engagement and Employment Action Plan	Timing	Update
12	<p>Through the continuous professional development (CPD) of teachers, ensure awareness of dealing effectively with pupils at risk of becoming NEET.</p>	Ongoing	<p>Officials have completed the review of professional standards, performance management and continuing professional development. The outcome of the review concluded that the current arrangements for professional standards, performance management and CPD for all practitioners need to change so that they work together more holistically and coherently with a clear and consistent focus on learner outcomes and wellbeing. As a result, the Learning Improvement and Professional Development Division are currently working on proposals to develop new structures for:</p> <ul style="list-style-type: none"> + Induction and Early Professional Development for newly qualified teachers + Leadership and the NPQH + CPD + Professional Standards - specifically the standards for Induction and Headteachers + Performance Management for teachers and headteachers.

No.	Youth Engagement and Employment Action Plan	Timing	Update
13	Strengthen planning and provision for young people making the transition from primary to secondary school and from education to employment.	December 2011	14-19 Learning Pathways – Data received from Careers Wales Online has confirmed that all young people at post-16 have been offered a minimum of 30 choices. The Local curriculum offer takes into account the needs of the local labour market. This means that the young people will leave education with the skills and qualifications that both employers and universities require.
14	Further develop the basic skills of young people and ensure adults have access to appropriate basic skills provision.	Ongoing	Evaluation of adult basic skills provision to commence shortly with a view to informing post-16 basic skills policy and delivery from 2012 onwards, taking into account findings from the National Survey of Adult Skills in Wales, 2010 (Statistical First Release to be published on 13 July 2011 and followed by a more detailed analysis later in the year). Initial advice will be submitted to Ministers in September 2011.
15	Pilot an extension to 14-19 learning coach provision, with particular emphasis on supporting young people during their transition from primary to secondary school, with a view to informing best practice.	March 2012	The Welsh Government will undertake a learning coach pilot for children between the ages of 11-13 to investigate the relative costs and benefits of rolling out across Wales. Welsh Government officials have been working with stakeholders to develop a delivery mechanism for the pilot

No.	Youth Engagement and Employment Action Plan	Timing	Update
			<p>focusing primarily on transition between primary and secondary education i.e. years 6 and 7. The Pilot will commence in September 2011.</p>
16	<p>Deliver targeted activities and events to stimulate interest and participation in entrepreneurship, particularly to those who are unemployed and/or economically inactive.</p>	<p>Ongoing (2010-2015)</p>	<p>Meeting held with NTFW Board members on 17 May 2011 to discuss how they could engage with the Youth Entrepreneurship Strategy (YES). Providers were notified that information is available at: www.bigideaswales.com and is no longer password protected.</p> <p>Work Based Learning provider resource packs are being put together and are planned for distribution in July to the 25 organisations delivering Apprenticeships, Traineeships or Steps to Employment programmes from 1 August 2011.</p> <p>The initial YES Action Plan – Welsh Government Officials Meeting was held on 8 June 2011 to discuss how progress is being made against the actions contained within the YES plan. Minutes of this meeting are available for further reference.</p>

No.	Youth Engagement and Employment Action Plan	Timing	Update
17	<p>Set up a sustainable specification for the new Dormant Accounts Programme in Wales (to be launched in 2011) to support young people who are NEET.</p>	December 2011	<p>BIG Lottery Fund is undertaking a consultation on the three broad areas of proposed NEET activity included in the outline specification for the Dormant Accounts Programme.</p> <p>Advice will be submitted to Ministers shortly regarding proposed change of timescale as a result of delays in confirmation of funding and in order to allow the Programme to be informed by the current review of NEET delivery. It is therefore proposed that the Programme commence in September 2012.</p>
18	<p>Strengthen data management, statistical information, and sharing of information on young people who are not in education, employment or training between organisations to ensure a more joined up service is provided for the young person, including the development of a robust tracking system.</p>	March 2013	<p>The annual Statistical First Release "Participation of young people in Education and the Labour Market" will publish on 27 July 2011, and will include provisional estimates of young people who are NEET at year end 2010, alongside final estimates for year end 2009.</p> <p>Also on 27 July we will publish the quarterly update to our bulletin "Young People not in education, employment or training (NEET)", which includes additional but less robust analysis of data related to those NEET.</p>

No.	Youth Engagement and Employment Action Plan	Timing	Update
			<p>The Keeping in Touch project is now at the piloting stage. The four pilots will test ways of keeping in touch. The output of this work will be a core data set that can be used to identify young people who are at risk of not being in education or training or having a job. The outcome of the overall project will enable the more effective targeting of local action.</p>

Drop Out Rates for MA and FMA learning programmes

Source: Lifelong Learning Wales Record (LLWR)

Academic Year (AY)	Foundation Modern Apprenticeships			Modern Apprenticeships			All Apprenticeships		
	Learning Programmes Ending In AY (*)	Number of Learning Programmes Ending Before Completion	% Drop Out Rate	Learning Programmes Ending In AY (*)	Number of Learning Programmes Ending Before Completion	% Drop Out Rate	Learning Programmes Ending In AY (*)	Number of Learning Programmes Ending Before Completion	% Drop Out Rate
2007/08	12,135	3,165	26%	6,775	1,935	29%	18,910	5,100	27%
2008/09	11,305	2,340	21%	6,940	1,490	21%	18,250	3,835	21%
2009/10	10,210	1,645	16%	6,415	1,035	16%	16,620	2,680	16%

(*) This excludes learning programmes that ended within 6 weeks of commencing ("early drop-outs") or where the learner transferred to a new learning programme, continuing their learning programme at another learning provider or left their learning programme due to redundancy or death

Doc 5.

Currently in Wales, women account for approximately 11% of total employment in the construction sector. This figure is slightly lower, with the exception of Northern Ireland, than the proportion of women in total employment in the sector across the UK (13%), England (14%), Scotland (15%) and Northern Ireland (6%).¹

The proportion of women in manual trades is broadly comparable with other parts of the UK (1% in Wales (1%), Northern Ireland (1%), England (2%), Scotland (3%). The issue of gender imbalance is therefore an industry-wide rather than a Welsh specific issue.

The Welsh Government is aware of a number of schemes to help support and promote females into careers and employment in the construction sector. Details of four actions in support of this agenda are set out below. Also below are details of the numbers of females who have participated in various Work-based Learning programmes from 2007/08 to 2009/10.

CYT - Pink Ladies

Construction Youth Trust offers the Pink Ladies training sessions across South Wales in partnership with local authorities and community groups. Training looks at a variety of different skills including Plumbing, Tiling, Bricklaying and Painting & Decorating. The CYT scheme is about developing new skills, confidence and experience in working in the construction industry. The beneficiaries are young women aged 14 - 30 from a variety of different groups ranging from schools and colleges to young offenders and the homeless. The Welsh Government is not a direct funder of this project. ConstructionSkills Wales are, however, a partner.

Women in Construction network

Lead by Joyce Watson AM, Women in Construction is an interactive website aimed at providing useful tools for women considering starting a career in construction, and for those who want to share their experiences. Campaign partners include Construction Skills, Construction Youth Trust (CYT), Pembrokeshire College, Carmarthenshire College (Coleg Sir Gar), Powys College (Coleg Powys), Swansea College, Chwarae Teg, The Association of Women in Property (WiP), Federation of Master Builders (FMB), The Institution of Civil Engineers (ICE) and Women's Engineering Society (WES). The Welsh Government is not a direct funder of the project.

Single Equality Scheme

ConstructionSkills operate a Single Equality Scheme which aims to set out how it will deliver and promote equality within the Construction Sector. WG is mentioned as a partner along with Chwarae Teg. While this is not a specific project, the scheme does identify principles for how ConstructionSkills work will be governed in tackling diversity and equality issue.

¹ Figures taken from the ConstructionSkills Sector Skills Assessment 2010, which draws data from the Labour Force Survey 2009.

ConstructionSkills EIF Project

The project will provide employers with female only training courses in order to improve soft skills such as confidence building, career building, leadership training and networking. This is a UK-wide project via the UKCES Employer Investment Fund, although delivery will be supported in Wales. We expect that around 4% of the 350 beneficiaries to be from Wales. This has yet to be confirmed with ConstructionSkills.

Work-based Learning provision - learning programmes active during the academic year, by programme type and gender

Programme type	Gender	2007/08			2008/09			2009/10		
		All work-based learning provision		Construction	All work-based learning provision		Construction	All work-based learning provision		Construction
		Construction	All work-based learning provision		Construction	All work-based learning provision		Construction	All work-based learning provision	
Foundation Modern Apprenticeship (Level 2)	Male	3,120	12,065	0	3,110	10,905	0	2,560	9,350	
	Female	75	14,830	0	55	13,605	0	35	12,225	
	Total	3,195	26,895	0	3,165	24,510	0	2,590	21,575	
Modern Apprenticeship (Level 3)	Male	2,130	8,220	0	2,475	8,120	0	2,490	7,750	
	Female	25	9,745	0	25	9,245	0	25	8,915	
	Total	2,155	17,965	0	2,495	17,365	0	2,515	16,665	
Modern Skills Diploma (Level 4)	Male	0	690	0	0	515	0	0	495	
	Female	0	1,735	0	0	1,560	0	0	1,660	
	Total	0	2,430	0	0	2,075	0	0	2,155	
Skill Build (and predecessor programmes)	Male	605	7,360	0	565	8,400	0	720	10,865	
	Female	15	5,390	0	35	6,080	0	45	7,590	
	Total	620	12,755	0	600	14,480	0	765	18,455	
Other work-based learning programmes	Male	125	1,195	0	125	1,145	0	10	2,715	
	Female	*	1,150	0	0	1,640	0	0	1,580	
	Total	125	2,345	0	125	2,785	0	10	4,295	
All WBL programmes	Male	5,980	29,535	0	6,270	29,085	0	5,780	31,170	
	Female	115	32,855	0	115	32,130	0	100	31,970	
	Total	6,090	62,385	0	6,385	61,215	0	5,880	63,140	

Source: Lifelong Learning Wales Record (LLWR)

Notes:

(a) Construction sector based on a grouping of sector codes (LP16 values):

- 105 - Electrotechnical
- 116 - Construction
- 117 - Plumbing
- 212 - Heating, ventilation, air conditioning & refrigeration
- 221 - Housing
- 233 - Timber trade
- 282 - Building services engineers
- 284 - Fence installation industry
- 302 - Building products industry
- 314 - Dry stone walling
- 343 - Highways maintenance
- 344 - Fitted interiors
- 352 - Industrial Building systems
- 355 - Construction diploma

(b) Academic year runs from August 1st to July 31st.

(c) A learner enrolled on more than one programme throughout the course of the same year will be counted once on each programme.

(d) Figures less than 5 and greater than 0 are represented by "0", all other figures are rounded to the nearest 5.

(e) There may be some slight discrepancy between the independently rounded totals and the sum of the constituent parts.

Carl Sargeant AC / AM
Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref CS/5637/11

Andrew RT Davies
Chair of the Enterprise and Business Committee
National Assembly for Wales
Ty Hywel
Cardiff Bay
Cardiff
CF99 1NA

// August 2011

Dear Andrew.

Thank you for your letter dated 15 July outlining the action points that arose following my attendance at the Enterprise and Business Committee meeting.

The information relating to each of the action points is detailed in the attached document numbered 1 through to 8.

Carl Sargeant

Carl Sargeant AC / AM

Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities

Bae Caerdydd • Cardiff Bay
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Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

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Follow Up Questions from the Enterprise and Business Committee

1. Changes to the evaluation and monitoring of transport projects to control overspends

Sponsored Local Authority Schemes – Transport Grant

Historically, Local Authorities (LA) bid on an annual basis for funding from the annual Transport Grant bidding round. Bids were then scrutinised by officers who presented recommendations on funding for Ministerial approval. Once Ministerial clearance was received a grant offer letter stating the amount of funding that would be provided was issued.

LA's are required to provide monthly reports detailing progress against allocated funding. Since 2009 the Welsh Government caps its contribution to the figure stated in the offer letter regardless of the scheme cost.

The funding process has now been changed to require bids to be made on a Regional basis. This revised process requires the Regional Transport Consortia (RTC) to submit bids which are assessed for clear evidence of deliverability and Value for Money.

The funding to the RTCs is subject to challenge and scrutiny at quarterly All Wales Programme Management Groups. These meetings discuss the individual RTC's performance and have the delegation to transfer funds between the RTCs. Each Transport Consortia also holds monthly meetings to discuss their individual performance. Welsh Government Transport officials attend these meetings and provide scrutiny and challenge to ensure that the RTCs are delivering the benefits outlined in their submissions and that these remain aligned with the Welsh Government's objectives.

Internally Managed Major Construction Schemes

The payments for these schemes adopt a "target cost" approach which has been competitively bid. This means that the Welsh Government shares the burden of cost overruns or the benefit of cost savings below the "target cost"; therefore the interests of both parties to the contract are aligned unlike in traditional adversarial contracts. The management of the contract ensures active risk management allowing early identification of risk this avoids or minimises the potential impact of any risks.

The Welsh Government monitors the projects ensuring that optimum value is being obtained for the investment being made. The schemes are also monitored using Construction Excellence Key Performance Indicators (KPI's) to ensure that the quality service offered at tender is delivered. These KPI's are then used in future selection processes.

All Internal Control Projects use the OCG approved NEC version 3 forms of contract which inherently build in good risk, project and financial management. The project management structures also follow "PRINCE 2" principles as well as utilising the new Welsh Government Gateway Review

process. Transport has also introduced a more comprehensive risk management process to ensure the cost and time consequences of risk are extensively analysed prior to Gateway Reviews or Key Stage Boundaries. Key Stage Boundaries and /or Gateway Reviews have been established between all key decision points in the project providing Senior Management with comprehensive information on "project health" and its value for money.

2. Availability of Convergence Funding for the electrification of the rail link of London to Swansea, and responsibility for funding this work

I would like to once more stress my disappointment about the UK Government's announcement on 1 March to electrify the Great Western Main Line only as far as Cardiff – effectively ignoring the economic benefits and the economies of scale of electrifying the line between Cardiff and Swansea at the same time.

The UK Government stated that there was no business case to electrify the line between Cardiff and Swansea, identifying only modest benefits based on the current frequency of train service to Swansea. The Welsh Government believes that the business case for electrification between Cardiff and Swansea is stronger than that presented by the DfT and the Welsh Government is working to present a more positive business case.

Funding of UK rail infrastructure is non devolved and responsibility is retained by the UK Government on an England and Wales basis. It is therefore right and proper that the UK Government should fund the electrification to Swansea. I would not wish to see Convergence Funding used for this. Convergence Funding is money attributed to the most deprived areas of Wales, for projects which meet Welsh Government aims and complement our programmes. In addition, Convergence funding is only available until 2013 and as this work is not scheduled to be built until 2016/17 by then it would be too late to spend it.

3. The introduction of Bimodal trains, and the proposal to trial these on the Cardiff to Swansea route

I understand that the UK Government intends to use bimodal trains on a wider network than the Great Western Main Line between Cardiff and Swansea. When the Welsh Government has established that there is a business case for electrifying the line to Swansea, I would expect the UK Government to fund electric trains and not bimodal trains to operate to Swansea.

4. The need for improved rail infrastructure links past Cardiff

It is essential that there are strong rail links throughout Wales and improvements made to the infrastructure, where necessary, to support this.

I believe it is vital to the economy of South West Wales that the Great Western Main Line is also electrified between Cardiff and Swansea and we will make the case to the UK Government to state this, as I said previously.

Additionally, the main infrastructure problem west of Swansea is the single track bottleneck between Gowerton and Loughor. I am funding Network Rail to redouble this track, and this is linked to Network Rail's replacement of the Loughor Viaduct in spring 2013. This will improve the performance and reliability of existing train services and will enable future additional services to be provided west of Swansea at a later date.

I have also funded Network Rail to complete a detailed timetable and engineering feasibility study (Grip 3) to improve frequencies between Maesteg and Bridgend to half hourly. This is a pre-requisite to further extending these services between Bridgend and Cardiff, and the new Brackla Station. The initial report is expected by the end of summer 2011 and I will then be in a position to consider the business case, in prioritising the National Transport Plan (NTP) which I will publish in the autumn.

5. The previous UK Government's business case for rail electrification to Swansea, and what changes have occurred since this was produced.

I am enclosing the previous UK Government's electrification briefing of 13 May 2009 to electrify the Great Western Mainline to Swansea.

I am also enclosing the business case papers that the current Secretary of State for Transport, Philip Hammond, laid before the House of Commons Library this March which maintains that there is no business case to electrify the line between Cardiff and Swansea.

The business cases do not provide a like for like comparison, and, as you know, we are challenging the UK Government's position that there is not a business case to electrify the line between Cardiff and Swansea and we will present our findings to the UK Government by the end of this year.

6. The shift in balance of expenditure between road and rail projects, and plans for what this balance should be going forward.

The split in years between road and rail funding is detailed in the table below:

Year	2007-08	2008-09	2009-10	2010-11	2011-12
Road (£m)	229.361	256.286	256.451	234.195	202.314*
Rail (£m)	179.979	182.137	198.967	207.188	202.703*

* forecast figures

I am currently in the process of prioritising the National Transport Plan, which I intend to publish during the Autumn. This will provide further clarity of the split in funding between road and rail.

7. Progress on introducing an hourly service between Shrewsbury and Aberystwyth

We funded a project to increase the capacity of the railway infrastructure in order to facilitate a more reliable service as well as an hourly service, and this work has been completed.

Network Rail has now fully commissioned and implemented its ERTMS resignalling project. This has allowed the new infrastructure that we funded to be commissioned and brought into live operation. Network Rail has experienced some initial technical issues with the ERTMS project which has caused train delays and cancellations. It needs to be proven to be fully operational and reliable before I would consider additional trains.

Work is ongoing to complete a viable timetable option.

I will consider the case for an hourly service as part of the NTP prioritisation.

8. The National Improvement to rail stations programme

Nationally, responsibility and funding for improved accessibility are non-devolved and the Department for Transport (DfT) is responsible for the national improvement programme for England and Wales. This is known as "Access for All", and a number of stations are being improved by Network Rail with DfT funding. Welsh stations included in this programme are: Abergavenny, Bridgend, Neath, Prestatyn, Wrexham General and Severn Tunnel Junction.

I am also investing in improving station accessibility as I believe that it is the right thing to do. Any new stations funded by the Welsh Government are fully accessible for all passengers, including, for example, the new stations on the Ebbw Valley Line and the Vale of Glamorgan Line.

The Welsh Government is continuing its commitment to the Wales Station Improvement Programme (NSIP+). The £40 million programme - including £21 million of European Structural funds - seeks to provide exemplary accessibility for station improvement schemes. A scheme at Swansea Station scheme is well advanced and other projects are under preparation.

In addition, the Welsh Government has also funded a number of smaller schemes such as providing a lift to Platform Zero at Cardiff Central Station. Previous to this, Cardiff Central station had accessible lifts to all platforms except Platform Zero. Passengers with mobility problems had to either walk up a steep flight of stairs or else come out of the station concourse around to the elevated car park in order to access this platform. The lift was installed in December 2010.

I am also funding, together with NSIP+ grant, a series of Easier Access Scheme installations which will provide improvements to rural stations in Wales where there is a stepping heights issue between the station platform and the train. The programme will cover 29 platforms at 24 stations (some with 2 platforms) across both the Convergence Area and non-Convergence Areas along the North Wales mainline (including Anglesey), the Conwy Valley Line, Cambrian Coast Line, Heart of Wales Line and the south Wales mainline/Pembroke Dock line.

DfT and the railway industry need to do more to improve accessibility, and Arriva Trains Wales has recently bid for DfT funding for improvements for further stations in Wales.

I have also made it clear that improved station accessibility in Wales is a key priority for UK Government funding for the next Control Period (2014 – 2019). My officials have already held discussions with their counterparts in the DfT, and I will raise this matter when I meet with the Secretary of State for Transport. Network Rail is currently undertaking a feasibility study to determine the scope of works required at the most inaccessible stations in Wales and my officials are working with Network Rail as this develops.

Capital Cost and Business Case

£m Real May 09	1	2	3	4	5
Option	NR Capital Cost (£m)	NR Capital Cost incl 30% contingency (£m)	NR Capital cost incl 30% contingency + 50% OB (£m)	NR Capital cost incl 30% contingency + 66% OB (£m)	Economic Business Case on basis of Column 4
Scope					
Paddington to Oxford, Newbury, Bristol TM, Pk way	297	386	578	640	No net cost to govt in PV terms
GWML 2					
Paddington to Oxford, Newbury, Bristol TM, Pk way and Swansea	459	596	894	990	high vfm (BCR 2.5 to 3)
GWML 3					
St Pancras to Corby, Nottingham, Sheffield	332	431	647	716	No net cost to govt in PV terms
MML					
GWML 3 + MML	790	1028	1541	1706	

- Costs at GRIP 2-3 detail but not yet formalised in GRIP
- NR 30% contingency validated by QRA (potential upside)
- 50% OB applies at GRIP 2
- For prudence 66% OB applied to cash flow

Taken forward to
cash flow

WAG/ DfT electrification briefing
13th May 2009

Electrification Benefits (GWML example)

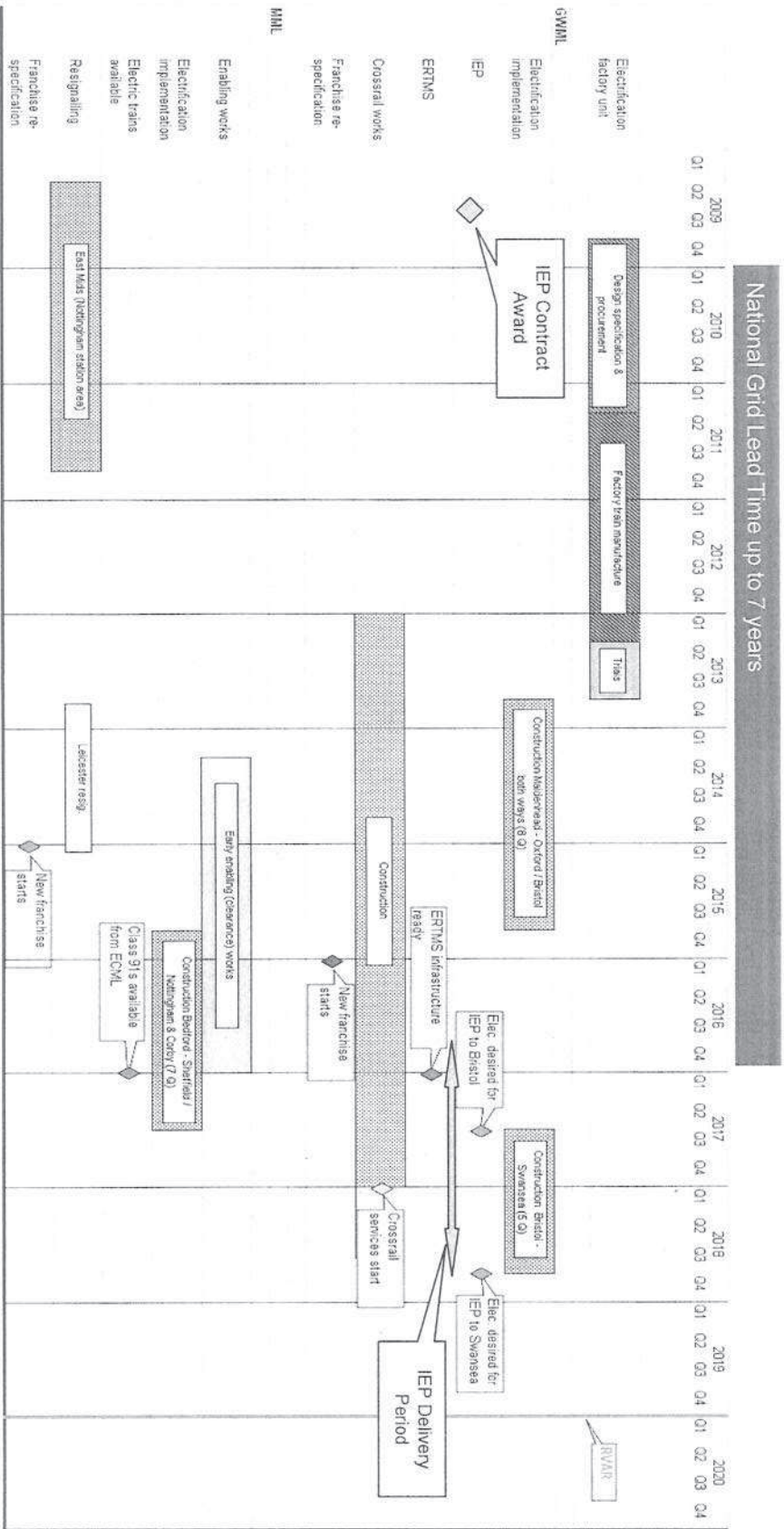
- **Passenger Benefits**
 - Capacity
 - (18% more seats per full length train than Diesel IEP)
 - Train reliability
 - 50% improvement
 - Route reliability >= today
 - Journey Time
 - (4 mins faster London to Swansea)
- **Industry Benefits**
 - Lower cost railway
 - (Financially positive business case to Bristol, high vfm case to Swansea)
 - (GWML element of IEP reduced by 7%/ £120m PV over 20 years)
 - Lower carbon emissions
 - Typically 25 – 30% lower than diesel equivalent
 - BUT carbon saving is not material in business case (0.02% UK)
 - Reduced track damage costs (27%)
- Electrification offers a step change in rail delivery and reduced cost on the busiest routes
- The optimum time to electrify is when rolling stock is life expired as is the case on GWML now

NR Capital Cost and Business Case

£m Real May 09		NR Capital Cost (£m)	NR Capital cost + 66% OB (£m)	Business Case on basis of Column 4
Option	Scope			
GWML 2	Paddington to Oxford, Newbury, Bristol TM and Bristol Parkway	386	640	No net cost to govt in PV terms
GWML 3	Paddington to Oxford, Newbury, Bristol TM, Bristol Parkway and Swansea	596	990	high vfm (BCR 2.5 to 3)
GWML 3a	Incremental Bristol to Swansea	210	350	Poor/ Med vfm (BCR <=1.5 dependent on fleet)
MML	St Pancras to Corby, Nottingham, Sheffield	431	716	No net cost to govt in PV terms
GWML 3 + MML		1028	1706	

- Costs at GRIP 2-3 detail but not yet formalised in GRIP
- NR capital cost includes 30% contingency validated by QRA
- 50% OB applies at GRIP 2 which NR anticipate reaching in July 2010
- In absence of formal GRIP status 66% OB applied

Network Rail Proposed Programme



- The break in GWML installation is to allow both MML and GWML to be completed to match rolling stock availability dates

Affordability: RAB funding for base programme

£m Nominal Option	Scope	CP4 Total	CP5 Total	CP6 Total	Total	CP 5						CP 6				
						12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
GWML 2	Paddington to Oxford, Newbury, Bristol TM, PWay	12	309	353	1993	1	11	37	62	70	70	70	70	71	71	71
GWML 3	Paddington to Oxford, Newbury, Bristol TM, PWay and Swansea	12	365	531	3006	1	11	39	65	75	86	101	106	106	106	107
GWML 3 a	Incremental Bristol to Swansea	1	56	178	1013	0	0	2	3	5	16	30	35	36	36	36
MMML	St Pancras to Corby, Nottingham, Sheffield	0	204	394	2232	0	0	1	10	44	71	78	78	79	79	79
GWML 2 + MMML		12	513	747	4225	1	11	37	73	113	141	148	149	149	150	150
GWML 3 + MMML		12	569	925	5238	1	11	39	76	119	157	179	184	185	185	186

- RAB funded assuming 6% return, 66% Optimism Bias
- Capital costs only, excludes OLE Maintenance
- Cumulative benefits exceed cumulative costs in CP11/12 i.e. Payback is 2045 to 2055

Affordability: Long Term Cash Flow

	CP4	CP5	CP6	CP7	CP8	CP9	CP10
	09/10-14/14	14/15-18/19	19/20-23/24	24/25-28/29	29/30-33/34	34/35-38/39	39/40-43/44

MML

Infrastructure Costs	0	-210	-420	-430	-430	-420	-390
Operating Cost Savings & Revenue	0	40	230	300	360	430	520
Net Impact	0	-170	-190	-130	-70	10	130

GWML OPTION 2 (Bristol)

Infrastructure Costs	-10	-320	-380	-390	-390	-380	-340
Operating Cost Savings & Revenue	0	90	260	300	360	420	500
Net Impact	-10	-230	-130	-90	-30	40	160

GWML OPTION 3 (Swansea)

Infrastructure Costs	-10	-380	-580	-590	-590	-570	-530
Operating Cost Savings & Revenue	0	90	300	350	420	490	580
Net Impact	-10	-290	-280	-240	-170	-80	50

INCREMENT (Bristol to Swansea)

Infrastructure Costs	0	-60	-190	-200	-200	-190	-190
Operating Cost Savings & Revenue	0	0	40	50	60	70	80
Net Impact	0	-60	-150	-150	-140	-120	-110

- Includes OLE Maintenance in Infrastructure Costs
- Cumulative benefits exceed cumulative costs in CP11/12 i.e. Payback is 2045 to 2055

Railway investment on the Great Western Main Line and in Wales

Introduction

On 1st March 2010 I announced the Government's plans for extension of electrification on the Great Western Main Line (GWML) in England and Wales and the procurement of a new fleet of trains. I have confirmed Agility Trains as preferred bidder to deliver a new fleet of trains to take full advantage of the electrification and to deliver better, faster and more comfortable services across the route.

In my statement, I committed to deposit a document in the House of Commons Library setting out the appraisal that assisted the Department in determining the extent of electrification. Department for Transport officials have worked extensively with their colleagues in the Welsh Assembly Government (WAG) to develop the business case for electrification into Wales.

At a time of significant pressure on public spending, I am determined to maximise the value of our expenditure. Passenger demand and revenue on the GWML is high and growing. That is why I have authorised electrification and the new train fleet.

I believe this investment and other improvements such as that taking place at Reading station represent a very significant improvement to the GWML for both passengers and freight customers.

I am very conscious that there has been some disappointment that I have not been able to commit to electrification between Swansea and Cardiff. In fact, the electrification of the line to Cardiff and the delivery of the new bi-mode trains is good news for people travelling to Bridgend, Port Talbot, Neath and Swansea with better, faster and more comfortable through services. Trains to London will be 20 minutes faster than today and more capacity will be provided. These significant improvements will bring Swansea and West Wales closer to London and Cardiff, help improve connectivity and boost the local economy.

The policy of the Government is to support a progressive electrification of the rail network in England and Wales. In conjunction with the Secretary of State for Wales I will keep under active review the business case for future electrification of the GWML between Cardiff and Swansea in the light of developing future service patterns.

Secretary of State for Transport

Improvements for passengers

The investment on the GWML delivers electrification between Maidenhead, Reading, Newbury, Oxford, Bristol and Cardiff along with new trains to operate long distance plus many regional, local and commuter services.

The GWML has seen significant increases in passenger demand with the Thames Valley and Greater Bristol both being key growth areas. Between 2000 and 2006 there was 20% increase in passenger numbers between the Bristol urban area and London. We anticipate significant demand continuing on the route.

When fully introduced alongside electrification of the route, the Inter City Express Programme (IEP) will deliver over 8,000 additional seats on services into Paddington over the peak three hours, representing a 31% increase compared with today. Trains will operate under electric power for most of their journeys. The bi-mode capability allows them to operate on new, cleaner and greener diesel engines over those sections of line that are not electrified, continuing to provide through services to London often with significantly reduced journey times.

The appraisal used by the Department for Transport (DfT) assumes the following indicative service patterns following electrification and the introduction of new trains. Final service patterns may be different following future franchise competitions.

Cheltenham & Gloucester

The IEP will be used to increase the frequency of London services to hourly all day. Cheltenham to London services are expected to be 20 minutes quicker once the new trains are in service.

Oxford and Newbury

IEP would be deployed on some services alongside other electric trains providing a significant capacity boost and some journey time reductions. It is planned that certain new bi-mode services would continue onto the Cotswold line to Worcester and from Newbury towards Exeter.

Bristol

Services from Bristol Temple Meads to and from London will increase from two to four trains per hour with new fast trains via Bristol Parkway completing the journey 22 minutes faster than today. Passengers from Bath can expect a seven minute reduction in journey time.

Newport and Cardiff

Services to and from London will continue at two trains per hour but with trains to Cardiff completing the journey 17 minutes faster than today. There will be a significant increase in capacity. Passengers from Newport and Cardiff can expect to start using the new trains in December 2016, with electrification completed and service improvements one year later in 2017.

Bridgend, Port Talbot, Neath, Swansea and West Wales

Services between London and Swansea will be 20 minutes faster than today, completing the journey in two hours and 39 minutes. The bi mode new trains will switch from electric to diesel power at Cardiff with no journey time penalty.

The investment in electrification and new trains compliments other investment on the route. The £16bn construction of Crossrail will extend electric train services from Essex and Central London to Slough, Heathrow and Maidenhead. The £850 million upgrade of Reading station provides a significant increase in passenger capacity and allows more room for services from the west to reach London.

Appraisal of electrification and the new train fleet

A key consideration in considering the extent of electrification is the frequency of diesel services that can be sensibly converted to electric operation and the likely growth of passenger demand. Because the infrastructure required for electrification is expensive, electric train frequency needs to be significant. Frequency also needs to be high to achieve the maintenance savings from the train fleet. This is why electrification of London to Oxford, Newbury, Bristol and Cardiff services is good value for money with some high frequency electric trains planned on these routes.

The case for electrification to Swansea was examined closely but could not identify more than one train per hour becoming an electric train. New intercity diesel trains and the proposed IEP bi-mode trains can achieve the same journey times as electric trains and consequently there would be no passenger benefits from electrification between Cardiff and Swansea. The new bi-mode trains will be able to accelerate quickly from the intermediate stations, curves and junctions on the route. They will switch seamlessly from electric to diesel operation when they leave Cardiff.

Network Rail has estimated that electrification between Cardiff and Swansea would cost £62m. It was found that, for a service of one train every hour in the off peak period, the business case was weak. There was no evidence of a pattern of demand that would lead to an imminent need to increase this frequency. Cardiff electrification by contrast will be used by four trains per hour, consisting of two from London and two regional services from Bristol.

Further ways in which to improve the case for electrification to Swansea were looked at, by examining whether other diesel services on this section could be converted to electric operation. However, significant changes were needed that would have required passengers to change trains, sometimes more often than once. The alternatives would also have increased train crew and rolling stock requirements.

A bi-mode operation to Swansea also assists with the resilience of intercity services to South Wales both during the period electrification is installed between Bristol and Cardiff and at times of service disruption. There are

occasions when the Severn Tunnel needs to be closed entirely in order that essential maintenance takes place. The alternative route (via Gloucester) will not be electrified and requires bi mode type trains to maintain the through South Wales – London service at these times.

To ensure this route is resilient, DfT is working with Network Rail to re-double the line between Swindon and Kemble by 2015. It was singled as an economy measure some 30 years ago. The approval for this scheme was given in the Budget speech on 23th March. This scheme will improve this diversionary route with more capacity for South Wales trains. The work would be ahead of the main electrification activity on the route via the Severn Tunnel when some disruption to passenger services is likely. From 2016 onwards services will use the new bi-mode fleet to maintain good through links between South Wales and London.

The results of the appraisal work is shown in Appendix 'A', which shows the business case for IEP trains and electrification between London and Cardiff (with bi-mode trains through to Swansea) and the incremental case for electrification on to Swansea and the deployment of all electric IEP trains on the Swansea trains.

Because the measurable outputs in terms of journey times and capacity are the same for Swansea in both cases, the additional value from electrification is limited to the change from diesel to electric mode of traction, with environmental benefits and reduced operating costs for those trains which extend to Swansea. Thus, the overall Benefit to Cost Ratio (BCR) for the incremental electrification is very poor (0.1).

Conclusions and next steps

DfT has now resumed the procurement of the IEP trains with the proposal that Agility Trains has put forward as preferred bidder. DfT will now work with Agility Trains with a view to reaching financial close by the end of 2011.

Over the course of the next six years, Network Rail will electrify the GWML.

Passengers in Oxford, Newbury, Swindon, Bath and Bristol will enjoy the benefits of electrification and the new trains in the first stage, with Newport, Cardiff and Swansea passengers enjoying the benefits shortly afterwards.

Network Rail has been asked to work closely with the train operators in mitigating the disruptive impacts of electrification work.

In the course of the examination of the case for electrification, it was established that, at an initial high level, there appears to be a good case for electrifying the key valley commuter lines north of Cardiff via Pontypridd and Caerphilly as well as the lines to Penarth and Barry Island. We will now work with the Welsh Assembly Government to develop a full business case. Provided the earlier findings are confirmed, there is then the possibility electrification of the Cardiff valley lines could take place during the next rail investment control period beginning in 2014.

In conjunction with WAG, we will also keep under active review the business case for future electrification of the GWML between Cardiff and Swansea in the light of developing future service patterns.

Appendix A. Details of economic case

	Electrification London to Cardiff and Bi-Mode IEP trains to Swansea	Electrification Cardiff to Swansea and IEP Electric Trains to Swansea*
(a) Time Benefits	470	0
(b) Crowding Benefits	550	0
(c) Highway User Benefits	605	0
(d) Environment Benefits	110	5
(e) Other Benefits *	160	0
(1) User Benefits (a+b+c+d+e)	1895	5
(f) Rail Revenue	1075	0
(g) Operating Costs	1270	-20
(h) Infrastructure Costs	555	65
(2) DfT Financial Impacts (f-g-h)	-750	-45
(3) Non DfT Financial Impacts	-200	0
NPV (1) + (2) + (3)	945	-40
BCR (1) / - [(2) + (3)]	2.0	0.1

Notes

- HM Treasury's 'Green Book' on the Appraisal and Valuation in Central Government sets down clear standards for the economic appraisal of spending and policies by Government departments. WebTAG is the DfT's transport specific guidance. BCR calculations are compliant with these documents.
- "User benefits" takes account of attributes such as time benefits arise from faster journeys for customers, crowding benefits arise from more capacity being provided and other benefits include reduced noise and increased quality benefits arising from the conversion from diesel to electric traction
- "DfT Financial Impacts" takes account of revenue generated by the investment and the operating and infrastructure costs incurred such as the capital costs of electrification.
- Figures presented are discounted £m 2002-03 prices
- Figures are rounded to nearest £5m
- Figures assume a cap in rail demand growth in 2032-33
- BCRs are calculated from unrounded figures

* Figures represent incremental benefits and costs of electrification Cardiff to Swansea compared to the Bi-Mode operation between Cardiff and Swansea, with GWML electrification extending from London to Cardiff only.