

Agenda – Economy, Infrastructure and Skills Committee

Meeting Venue:

Committee Room 1 – Senedd

Meeting date: 7 November 2018

Meeting time: 09.00

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Private pre-meeting (9.15–9.30)

1 Introductions, apologies, substitutions and declarations of interest

2 Budget scrutiny with the Minister for Welsh Language and Lifelong Learning

(9.30–10.15)

(Pages 1 – 35)

Eluned Morgan AM, Minister for Welsh Language and Lifelong Learning

Andrew Clark, Deputy Director, Further Education & Apprenticeships Division

Attached Documents:

EIS(5)–25–18(P1) Research Brief

EIS(5)–25–18(P2) Draft Budget Evidence Paper from the Minister for Language and Lifelong Learning

Annex A for Draft Budget Evidence Paper from the Minister for Language and Lifelong Learning

Annex B for Draft Budget Evidence Paper from the Minister for Language and Lifelong Learning



3 Motion under Standing Order 17.42 to resolve to exclude the public from item 4 and 5

Item 4 – (vi) the committee is deliberating on the content, conclusions of recommendations of a report it proposes to public; or is preparing itself to take evidence from any person

Item 5 – (ix) any matter relating to the internal business of the committee, or the Assembly, is to be discussed

Break (10.15–10.25)

4 Draft Budget Evidence Paper from the Leader of the House and Chief Whip

(10.25–10.30)

(Pages 36 – 43)

Attached Documents:

EIS(5)–25–18(P3) Draft Budget Evidence Paper from the Leader of the House and Chief Whip

5 Briefing on FSB/IWA town centre work

(10.30–11.15)

Joshua Miles, Policy Manager, FSB

Peter Williams, Director, The Means

Auriol Miller, Director, IWA

Elinor Shepley, Understanding Welsh Places Project Officer, IWA

6 Budget scrutiny with the Cabinet Secretary for Economy and Transport

(11.15–12.30)

(Pages 44 – 104)

Ken Skates AM, Cabinet Secretary for Economy and Transport

Simon Jones, Director – Economic Infrastructure

Marcella Maxwell, Head of Economic Action Plan Implementation

Dean Medcraft, Director– Finance & Operations

Attached Documents:

EIS(5)–25–18(P4) Research brief

EIS(5)–25–18(P5) Draft Budget Evidence Paper from the Cabinet Secretary for Economy and Transport

Agenda Item 2

Document is Restricted

Economy, Infrastructure and Skills Committee

Date: 7th November 2018

Time: 9:30-10:15

Title: Evidence paper on the Draft Budget 2019-20 – to be presented to the Economy, Infrastructure and Skills Committee

Introduction

1. This paper provides information to the Economy, Infrastructure and Skills Committee on the Minister for Welsh Language and Lifelong Learning portfolio proposals outlined in Draft Budget 2019-20. The Draft Budget was published as part of a two stage process, an outline budget (stage 1) on 2 October followed by a detailed budget (stage 2) on 23 October. It also provides an update on specific areas of interest to the Committee.

Summary of budget changes

2. The Draft Budget 2019-20 provides a one-year plan for revenue investment and a two-year plan (2019-20 and 2020-21) for capital investment. Table 1, below, provides an overview of the planned revenue budgets relating to the Minister for Welsh Language and Lifelong Learning portfolio that are relevant for this Committee.
3. The 2018-19 First Supplementary Budget figures, published on 19 June 2018, represent the year on year comparator. The 2019-20 plans published in the 2018-19 final Budget, on 19 December 2017, have also been included as the baseline figure for the draft Budget 2019-20.

TABLE 1: OVERVIEW OF THE REVENUE BUDGET				
Action	2018-19 Supp. Budget June 2018 £000s	2019-20 Plans as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 Draft Budget £000
Work Based Learning	115,709	111,113	(29,000)	82,113
Delivery Support – Skills	648	648	-	648
Skills Policy	1,061	1,061	-	1,061
Employment and Skills	28,498	28,498	27,698	56,196
Educational and Careers Choice	18,800	18,800	-	18,800
TOTAL REVENUE - Skills budgets (Education MEG)	164,716	160,120	(1,302)	158,818

Revenue Changes

- The Revenue budget for Skills has decreased by £1.302m (0.81%) compared to the indicative plans for 2019-20, published in the 2018-19 final Budget (December 2018).
- The decrease of £1.302m is made up of a number of Budget Expenditure Line (BEL) to BEL transfers from within the Education Main Expenditure Group (MEG) and additional allocations from Reserves which are summarised in table 2 below.

TABLE 2: SKILLS BEL TO BEL TRANSFERS/ FUNDING FROM RESERVES		
Work Based Learning (WBL) BEL	Description of movement	2019-20 £000
Traineeships	Transfer to Employability and Skills BEL for the replacement of the Traineeship programme	(24,000)
Apprenticeships	Transfer to Higher Education BEL – to support degree level apprenticeships and enabling HEFCW to draw down funding as part of their grant in aid	(5,000)
Revenue – net decrease for WBL BEL		(29,000)
Employability and Skills BEL	Description of movement	2019-20 £000
Traineeships	Transfer in from WBL BEL to fund the replacement of the Traineeship programme	24,000
EU Transition Fund – Airbus, Ford and other Automotive manufacturers	Allocation from reserves to Employability and Skills BEL to support the EU Transition Fund tranche 1 & 2	3,150
Application Maintenance & Support	Transfer in from Supporting Digital Learning in Education BEL to the Employability and Skills BEL for the management of the post 16 ICT systems	548
Revenue – net increase for Employability and Skills BEL		27,698
Total revenue decrease		(1,302)

Capital

- There are no capital allocations for the financial year 2019-20 that are relevant to this Committee.

Annually Managed Expenditure (AME)

- The Annually Managed Expenditure (AME) budget is for the Careers Wales pension provision and therefore difficult to forecast. This budget is agreed with the Treasury

each year and is fully funded. The budget has remained at the same level as in 2018-19 and is summarised in table 3 below:

TABLE 3: OVERVIEW OF THE AME BUDGET				
Action	2018-19 Supp. Budget June 2018 £000s	2019-20 Plans as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 Draft Budget £000
Educational & Careers Choice	12,000	12,000	-	12,000
TOTAL	12,000	12,000	-	12,000

8. As requested by the Committee, a commentary which explains in further detail the changes to each Action for the Minister's portfolio relevant to this Committee is provided at **Annex A**. A transparent narrative explanation has been provided to explain increases and decreases, where not covered in the evidence paper, and confirmation of where the any transfers have been allocated to and from.
9. The detailed budget plans for the Education MEG were published on 23 October. To aid transparency a breakdown of changes to the Minister's portfolio by Budget Expenditure Line (BEL) for 2019-20 is provided at **Annex B**.

Welsh Government Priorities

10. The Committee has requested information on the areas below:

Apprenticeships and skills

11. To date, there have been over 50,000 starts on the Apprenticeship programme since the commencement of the current term of office. With just less than three years remaining of the term, we are confident that the commitment to support a minimum of 100,000 all-age apprenticeships will be achieved. We will invest £115m in 2019-20 to continue delivery of this commitment.

Funding the discrete skills and employability commitments made by Welsh Government within the Employability Plan including:

Funding for the Employment Advice Gateway

12. The Employment Advice Gateway (EAG) specification sets out requirements and appropriate KPIs (developed with input from Knowledge and Analytical Services (KAS) to ensure that they relate to the Employability Plan KPIs), as agreed by the EAG Board on 21 August. They reflect the high level objectives for the EAG as set out in the Employability Plan. Significant progress has been made. Careers Wales (CW) now have a dedicated project team in place, and recruitment of advisors is progressing at pace. CW are also undertaking a comprehensive mapping exercise to: a) take stock of existing resources and identify gaps; and b) visualise those resources, including co-location, for the use of advisors, other services, and clients (with appropriately tailored datasets), providing a working tool for advisors and a

communications tool for the EAG. We will commit £9.18m in 19-20 to the development and delivery of the Employment Advice Gateway.

Funding for Working Wales

13. Working Wales is currently out to procurement. Working Wales providers will be announced in November 2018. Planning forecasts for 2019-20 have a maximum contract value of circa £38.62m for all three strands of Working Wales, increasing in future years based on the maximum programme durations and maximum programme outcomes being achieved. Of this, up to £6.28m will support the adult training strand, £13.51m will support the Youth Training strand and £18.51m will support the Youth Engagement strand. Year on year spend needs to be forecast on previous year starts, due to the 'bow wave' the programmes design creates with fees and outcomes, with increases being underpinned by ESF receipts.

Supplemental funding for Communities for Work

14. The new Communities for Work Plus (CfW+) programme, which provides intensive mentoring and support to engage participants and address the complex barriers to employment experienced by those furthest from the labour market, was launched in April 2018. The programme is delivered across all 22 local authorities and, in its first five months of operation, CfW+ has engaged with 2,800 participants with some 575 progressing into employment. CfW+ will form part of the Children and Communities Grant in 2019-20 and its funding of £11.967m will come from BEL 1087, Children and Communities Grant in the Local Government & Public Services MEG.
15. The Communities for Work programme (CfW), which is part-funded by the European Social Fund, is currently approved to December 2020. To the end of August 2018 CfW has engaged with over 17,000 participants with some 5,700 progressing into employment. The Welsh Government's match funding to the programme in 2019-20 of £3.972m will come from BEL 1086, Supporting Communities in the Local Government & Public Services MEG.

Funding for PaCE

16. The Parents, Childcare and Employment programme (PaCE) is also part-funded by the European Social Fund and approved to December 2020. To the end of May 2018 PaCE has engaged with over 3,000 participants with almost 1,000 progressing into employment. The European income for the programme is drawn down on a needs based approach and as such no Welsh Government match funding for the programme is included in budgets for 2019-20.

Funding for the co-location of Careers Wales, Business Wales and Job Centre Plus offices

17. No specific funding has been provided for the co-location as the synergies created should enable the organisations to make savings. Co-location is under consideration when a leased building reaches a break point in the lease agreement.

Funding for the Regional Skills Partnerships and the sharing of intelligence between careers services, business support and entrepreneurship support

18. While grant funding of £0.495m for the Regional Skills Partnerships (RSPs) is provided from the Further Education Provision BEL, the Employability and Skills Division takes the lead on coordinating RSP activity.
19. We are continuing to work with the three RSPs who have a key role in producing regional intelligence informed by employers. The intelligence is agreed and shared with key stakeholders in the region including FE and Work Based Learning Providers, HEIs, Careers Wales, Jobcentre +, employers and other stakeholders.
20. This intelligence will underpin Working Wales, apprenticeships and work-based learning as well as key delivery programmes. RSPs have been asked to give consideration to digital innovation in this year's annual reports, expanding upon the work they undertook this year. This includes highlighting regionally important sectors where the issues of automation and Artificial Intelligence are most prevalent and assessing any future impact in terms of the workforce.
21. An independent review of RSP governance arrangements by Dr John Graystone in March 2018 made a number of recommendations. In line with these recommendations we commissioned shorter sharper evidence-based Annual Reports for 2018 which were received by Welsh Government in August 2018. They have been reviewed and assessed by policy leads with feedback due to be given by the end of October. The content of the reports will inform prioritisation of skills funding deployment for FE and Apprenticeships for 2019/20 as well as other key policy and programme areas.
22. Key labour market intelligence is shared with officials across Welsh Government, including officials working directly with Careers Wales, and is also published on the Skills Gateway section of the Business Wales website.

Funding for scaling up code clubs

23. As part of the £100m commitment to raising standards in schools, we have allocated £1.3 million to support coding and digital skills. This is being met from the Raising School Standards BEL and the financial year profile is outlined in the table below.

2016-17	£0.1m
2017-18	£0.3m
2018-19	£0.3m
2019-20	£0.3m
2020-21	£0.3m
Total	£1.3m

24. The funding is provided to consortia to support the development of coding skills for young people in Wales and the teaching of coding skills both in and outside of the classroom, as part of the Welsh Government's Cracking the Code plan, through expanding coding and code clubs across the consortium. It also provides support for

engagement of schools, colleges, universities, businesses and the third sector as appropriate to secure the relevant expertise to deliver this priority.

22. Technocamps, established by ITWales, the industrial liaison unit of the Department of Computer Science in Swansea University, has received over £1.2m of Welsh Government education funding since September 2014 to deliver computer coding workshops to pupils and teachers in schools in Wales. These provide opportunities for both teachers and learners to develop hands on experience of a range of coding activities and tools, ensuring that every secondary school has one or more teachers with direct experience of working with code. An indicative allocation of £0.3m from the Curriculum and Assessment BEL has been agreed for 2019-20.
23. £1.2m was provided to HEFCW in 2017-18 for the Institute of Coding in Wales. The funding, provided through HEFCW in 2018, will allow Cardiff and Swansea Universities to become active members of the consortium of organisations, including 25 universities, that are working together to establish the Institute of Coding. The Institute will train the next generation of digital specialists at Levels 6 and 7. Partners will work together to develop and deliver innovative, industry-focused education across the UK. The funding includes £0.2m to enable civic mission activity supporting coding initiatives in schools, colleges, work-based learning providers and universities.

Budget monitoring and Evaluation

24. Building on work carried out for previous budgets, we have undertaken a continual line by line review of budgets to ensure that funding is prioritised to reflect our priorities.
25. All budgets have been, and continue to be, monitored and challenged on a monthly basis, to consider the latest forecasts and budget movements as necessary. I receive regular updates on the forecasts for my policy areas to ensure that they remain on track to deliver the priorities for Wales.
26. All major programmes are subject to independent evaluations which will consider value for money as a matter of course. In addition, quality assurance processes are in place to ensure that value for money is considered during contracting processes, and through existing monitoring and administration systems.
27. When establishing new funding models and mechanisms, recommendations from previous evaluations will be considered along with the experience and lessons learnt from existing programmes.

Preventative Spending

28. Within the Skills portfolio we continue to focus on prevention in the delivery of public services – in terms of meeting current demand for services and to support interventions, which can help prevent problems occurring in the future. As part of the budget process, we have continued to work with the third sector and other partners to develop, and agree, a common definition of prevention.

29. The Work Based Learning programmes are aimed at providing opportunities for people to upskill, thereby reducing the number of learners who are Not in Employment, Education or Training (NEET).
30. Careers Wales delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales. It enables young people to make better career decisions and supports schools and colleges to deliver experiences and opportunities to young people that help prepare them for the world of work; and supports stronger, more effective partnership working with key partners such as schools and employers and developing effective education-business links across Wales.
31. All programmes within the Employability and Skills BEL aim to enhance the skills and employability of individuals both in and out of the workforce in Wales and thereby improve individuals' position within the labour market. A number of programmes/activities are specifically focused on raising essential skill levels of those in and out of employment and on engaging individuals with low or no skills who may not have participated in learning for some time.
32. It is widely recognised that moving people into work has a dramatic impact on their health and ability to function in everyday society. Upskilling, particularly improving essential skills, supports in-work progression and new employment opportunities making a significant contribution to the Promoting Economic Opportunity for All Agenda.

Impact of the UK leaving the EU

33. The impact of Brexit on our budgets and programmes will be considerable but we have made clear our determination to hold to account the campaign promises that Wales outside the EU would be not a penny worse off than it would otherwise have been within the EU.
34. We have said from day one, that it is our role as a government to do all we can to help sectors prepare and adapt to the challenges ahead. This is why the First Minister established the EU Transition fund earlier this year. The £50m fund has been designed in collaboration with the organisations and businesses it is intended to help. It will provide tailored financial support and advice for businesses to thrive outside the EU.
35. On 24 September we announced that a further £6m has been awarded through our new EU Transition Fund to support workers at Ford, Airbus & other automotive component manufacturers in Wales over financial years 2018-19 and 2019-20. The support in 2019-20 for Airbus (£1.5m), Ford (£1m) and other automotive manufacturers (£0.650m) is to ensure that their workforce are upskilled and prepared post-Brexit. Airbus, Ford and other automotive component manufacturers are part of global groups and our support will help significantly improve the chances of developing the Welsh-based sites as the preferred locations for any future and post-Brexit European investment projects. Our support will also in turn help secure business for the aerospace and automotive supply chains in Wales. Any opportunity to upskill a workforce with transferable skills is imperative in order to continue

showcasing Wales on the global stage as a desirable place for business, especially in a post-Brexit world.

36. Within the Skills portfolio we are leading on nine European Social Fund (ESF) projects under the 2014-2020 European programmes. These projects underpin a number of Prosperity for All commitments, including the commitment to deliver 100,000 apprenticeships in this Government term, and to reshape employability support. These projects are approved for £340m from the ESF following extensions and revised approvals, which secure a continuation of funding post-Brexit to enable key Ministerial priorities, including the delivery of the new employability programme, Working Wales, to be delivered from 2019 to 2023.
37. A 'No Deal' Brexit would present a significant risk within this portfolio, noting a large proportion of the £340m ESF approved will be unclaimed as at 1 April 2019. Failure to access this money will place unprecedented pressure on SHELL programme budgets. If the funding does not continue beyond 2019, then volumes on both Working Wales and Apprenticeships would need to be reduced accordingly and funding will need to be focussed on priority areas within these programmes.
38. In a statement to Parliament on 24 July 2018, businesses, universities and local organisations were assured by HM Treasury that any funding they secure through EU programmes from now until the end of 2020 will be guaranteed by the UK government, even in a no deal scenario. Draft guidance from HMT on the functioning of that guarantee has raised a number of concerns about whether full costs will be met. Welsh Treasury and WEFO officials are liaising with counterparts in the UK Government to seek further clarity and reassurances.
39. In the event a transition deal is agreed between the UK and EU, officials are seeking opportunities to utilise any remaining ESF funding made available from exchange rate fluctuations or ESF underspends across the programmes. It is also likely that existing flexibility within the programmes is maintained, allowing officials to continue to realign existing approvals with emerging priorities through to December 2023.
40. In meeting our target of 100,000 quality all-age apprenticeships in the Assembly term, we will maintain our commitment to SMEs through prioritising training in those areas of the economy that will support growth and are prone to the impact of leaving the EU.
41. We are alive to the issue that SMEs may change recruitment patterns after Brexit. The impact may well be fewer apprenticeship opportunities. We would of course closely monitor the impact to understand how we can best respond.
42. More widely, the FE sector currently acts as lead beneficiary on ESF projects worth between £4m and £10m ESF per annum. In the event of a no deal Brexit, and the Treasury guarantee not supporting these existing projects, volumes of learners would need to reduce to align with the reduced funding.

Costs of Legislation

43. The budget continues to take account of our current legislative programme.
44. Steps are being taken to improve the clarity and consistency of Regulatory Impact Assessment's (RIA) but changes to Bills during scrutiny, and other unforeseen factors, will inevitably result in some variances between estimated costs at the published RIA stage and actual costs during implementation. In accordance with the commitment given by the Cabinet Secretary for Finance to the Finance Committee, a year on year table showing the cost of legislation falling to the Welsh Government was provided at Annex C of the departmental budget proposals published on 23 October.
45. The impact of any relevant UK Parliament legislation is given full consideration as soon as the relevant detail is available.

Cross-cutting considerations

Equality

46. A Strategic Integrated Impact Assessment was published alongside the outline draft Budget 2019-20 (Annex D) and will be published alongside the detailed draft budget. This provides an assessment of the impact of the budget on skills under the theme prosperous and secure, as published in Taking Wales Forward 2016-2021.
47. A number of Employability and Skills programmes involve working with employers. When working with employers offering work experience placements we ensure that they are offering equality in their workplace and contributing to gender mainstreaming by reviewing and monitoring the work experience placement offer and challenging traditional employment roles where gender stereotypes may exist and assisting people to take up and retain employment in non-traditional areas or industries where specific genders are underrepresented. Attention will also be placed on the type of training being requested by the employer for individuals undertaking work experience placements to ensure that occupational segregation is eliminated and opportunity is provided for training in non-traditional areas, focusing on areas where there are skills shortages.
48. Chwarae Teg is a pan-Wales organisation created to expand the role of women in the Welsh economy. It offers expert comment and advice on government strategy and policy, and provides gender sensitive advice and analysis. The Chwarae Teg Programme aims to ensure that there is gender equality in the workplace and equal opportunity for women in business. It works with women and girls to broaden horizons and build confidence and skills; works with employers to create modern workplaces that are successful in harnessing everyone's contribution; and with influencers, educators and decision makers to build a society that values, supports and benefits both women and men equally.
49. We also recognise the importance of our Apprenticeship programme and have maintained the funding for this activity in order to deliver the manifesto commitment of 100,000 Apprenticeships over the Assembly term. Any reduction in level 2 non-

priority Apprenticeships is likely to disproportionately impact on females accessing the programme. Any reduction in available apprenticeship places will reduce the opportunities for Welsh employees to improve their skill levels and their ability to command a higher income and an improved quality of life as a direct consequence.

50. It has been identified that there is an issue of employers over-looking their older employees when it comes to skills development, and older people being unaware of the consequences of not keeping their skills up-to-date. This, coupled with increases to the pension age and a reduction in young people entering the labour market, has led to the identification of older workers as a key focus for skills policy. The Enterprise and Business Committee investigated this issue during the previous Assembly term. This has been considered in budget decisions, with £0.1m dedicated to a communications campaign to raise awareness of older workers amongst both employers and individuals. Labour Market Intelligence funding from the Employability and Skills BEL has also been used to assist with this campaign, providing further evidence to inform policy decisions and to monitor progress in this area.

Well being of Future Generation (Wales) Act 2015

51. Prosperity for All sets the aims of this Government and provides clarity about how we want Government and delivery partners to be part of a new approach to delivering priorities. The Well-being of Future Generations (Wales) Act 2015 supports the Welsh Government and delivery partners in making these important changes to the way we work.
52. The strategy sets out 12 well-being objectives and the steps we propose to take to meet them. Together with the well-being statement published alongside the strategy, these objectives set out the areas where the Welsh Government can make the greatest contribution to the seven well-being goals for Wales and provide the basis for strong partnerships with others.
53. We are committed to using the Well-being of Future Generations (Wales) Act 2015 to improve how we make decisions about the social, economic, environmental and cultural well-being of Wales. Our goal is to ensure we reflect the sustainable development principle and our spending plans aim to achieve a balance between short and long-term priorities. We recognise the need to collaborate with our partners and to use our collective resources effectively to plan for the tough choices ahead.
54. Employability and Skills is one of the six priority areas within Prosperity for All and is also a key driver in meeting the *seven national goals*. We are supporting investment in pursuit of jobs, growth and tackling poverty in order to create a more prosperous Wales and increasing private investment in skills in line with a resilient Wales. Other key goals include: realising the health benefits brought about through jobs and growth, and delivering a responsive and flexible employability offer. We have adopted a strong collaborative approach, working closely with employers, stakeholders and our three Regional Skills Partnerships in order to raise performance and deliver better economic outcomes, in line with the vision of a more globally responsible Wales. Finally, we have a focus on provision of bilingual skills and learning across our employability and skills agenda.

Welsh Language

55. We recognise the importance of the Welsh language in developing our plans and we ensure compliance with the Welsh Language standards. It is embedded in our delivery, for example Careers Wales services are delivered bilingually. A thriving economy will support our target of one million Welsh speakers by 2050. Good quality jobs and sustainable growth will provide people with a reason to remain or return to work and live in local communities where the language thrives.

Reducing the impact of deprivation and poverty

56. It is widely recognised that moving people into work has a dramatic impact on their health and ability to function in every day society. Upskilling, particularly improving essential skills, and supporting in-work progression and new employment opportunities makes a significant contribution to the Promoting Opportunity for All agenda.
57. As a Government, we are ensuring that every aspect of Government policy – education, health, housing and communities – work together to support people into sustainable jobs.
58. Our Employability Plan will provide the opportunity to ensure that our new Working Wales employability programme can benefit from, and align with, programmes led by other departments. We are working closely with colleagues from across Welsh Government in line with the agenda set out by the National Strategy, Prosperity for All. The Employability Plan is taking a systems-based approach, taking into consideration all the levers that government has to affect change in area of employability. This will be an outline of our vision for the future; it will highlight areas we know need to be changed, and where we'd like to get to.
59. We are considering our current suite of programmes and have developed the Working Wales programme to ensure that there is no inefficiency, but also to ensure that people can access support in an appropriate manner, that they are tracked through the system to demonstrate progression and that other structural barriers to employment are tackled, such as transport or childcare availability.
60. Officials leading on the Employability Plan continue to work closely with those leading on delivering the Economic Action Plan, and the relevant Health and Education plans, so that all of these are joined up and include complementary objectives and aligned governance. The Employability Plan will meet the Skills and Employability commitment outlined in the National Strategy.
61. Working with employers, including social businesses, is critical to the success of our Employability Plan. It is only by linking the requirements of businesses to the skills of the workforce that we can move more people into employment, and help them to thrive in work.
62. We are trialling a package of support for individuals via a new Access programme within the Valleys Task Force Area. We are addressing existing gaps in our support provision for adults who are short-term unemployed, under employed and those who

churn in and out of temporary employment. The outcomes of this work are informing the new Working Wales Employability programme from April 2019. We are focusing on the individual's barriers to employment and on incentivising their entry to the labour market via appropriate careers advice, pre-employment training support, on the job training and an employment incentive for recruiting employers.

Specific areas

63. This section provides an update on specific areas requested by the Committee.

Any legacy funding for the current schemes intended to be replaced by Working Wales including Jobs Growth Wales, Traineeships, ReAct;

64. From April 2019 we will replace our current suite of employability skills programmes (ReAct, Jobs Growth Wales (JGW), the Employability Skills Programme (ESP), Access and Traineeships) with a new, single employability programme - Working Wales. We have reconfigured our Welsh Government offer of employability support so that it is easier for individuals to navigate and access. Based on the initial planning work and updated in December 2017, the following run down allocations are forecast for these current schemes:

- **ReAct** – £1.2m expenditure, partially funded by ESF receipts.
- **Jobs Growth Wales** – £2.7m expenditure, partially funded by ESF receipts, subject to WEFO approval.
- **Employability Skills Programme** – £1.7m expenditure based on contract allocations.
- **Access vocational training programme** – £0.25m expenditure based on current delivery.

65. **Traineeships** –There is no budget requirement for rundown activity in 2019-20. Contracts for £20.9m have been issued for the period August 2018 to March 2019, and a forecast of these payments indicates that circa £3.5m of this will be paid in financial year 2019-20 for activity in the contract year.

Support specifically aimed at young people who are not in education, employment or training (NEET):

66. The existing Traineeships contract will end on the 31 March 2019, with participants being assessed by the Employment Advice Gateway (EAG) from February onwards to transfer to the Working Wales youth strands from 1 April 2019 where necessary.

67. The Working Wales Youth Training strand will support young people motivated to work, but who need improved employability skills, providing a clearer career focus and better job-related skills.

68. The Working Wales Youth Engagement strand will support young people who are 16 to 18 on entry, and who have been assessed as having significant or multiple barriers preventing them from engaging sustainably in further education or employment,

including on apprenticeship or training. Individuals on the Youth Engagement strand will require more intensive, individualised and specialist support to allow them to progress and to become work-ready.

Careers Wales

69. In addition to their routine recurrent funding, an indicative budget of circa £9m has been allocated for Careers Wales (CW) to operate the EAG in 2019-20. There are no residual costs for legacy programmes as advice/guidance/referrals onto these will cease by March 2019. Costs for assessing the Traineeships in learning during the February and March prior to the start of Working Wales will be met from the existing 2018-19 budget.

Skills policy and engagement including: Regional Skills Partnerships; sector skills policies and the Wales Employment and Skills Board.

70. The Skills Policy Engagement BEL (4759) provides funding for a range of activities including employer engagement, wider regional skills engagement, Regional Skills Partnership activity and labour market information.
71. £0.354m is allocated to Employer and regional engagement salary costs, to lead the Skills Higher Education and Lifelong Learning engagement with Regional Skills Partnerships, strategic employers, Enterprise Zones and key Infrastructure projects in each region. The team also leads on the development and deployment of the Flexible Skills Programme (FSP) which is the Welsh Government's key skills support programme, aligning skills supply and demand, and providing the specialist skills and education interface with employers.
72. £0.395m is allocated to Skills Implementation and Policy, including £0.1m to the Age of Investment campaign, which aims to tackle the challenge of an ageing workforce, £0.02m to the Wales Employment & Skills Board, which reports directly to the Council for Economic Development (CED) on employment and skills matters, £0.237m to labour market intelligence which provides funding to provide an evidence base for informed decision on skills matters and £0.038m for Regional Skills Partnership (RSP) engagement.
73. £0.312m is allocated to National Occupational Standards (NOS) to support skills and employability priorities by ensuring that they effectively underpin Apprenticeship frameworks and other vocational qualifications in Wales and that skills provision reflects current employer needs and the economy of the future.
74. £0.495m is allocated from the Further Education Provision BEL (4763) to support Regional Skills Partnerships (RSP) activity. This budget does not fall under the Employability and Skills budget and is not counted in the total budget presented in this paper, but has been included here due to the importance of the regional skills delivery agenda to Skills Higher Education and Lifelong Learning. The three RSPs have a key role to play in producing regional intelligence informed by employers. This intelligence will underpin Working Wales, apprenticeships and work-based learning as well as other key programmes of delivery. RSPs 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.

Work Based Learning

75. The gross value of the 2018-19 Work Based Learning BEL (4762) (including anticipated ESF receipts) is £151.309m. This BEL funds provision for the Traineeship programme and the all-age Apprenticeship programme. The BEL is not split into separate budget allocations for Traineeships and Apprenticeships. The approach of a combined budget for these programmes enables demand for the Traineeship programme to be met with compensating adjustments to the available budget for Apprenticeships.
76. For 2019-20, the Work Based Learning BEL will not support the Traineeship programme. From 1 April 2019, employability support for young people will be under the new All Age Employability Programme (Working Wales) within the Employability and Skills BEL 4464. The Work Based Learning BEL will therefore fund provision for the delivery of the Apprenticeship programme only.
77. The proposed budget of Work Based Learning BEL for financial year 2019-20 is £82.113m.
78. What this means is that the 2019-20 quantum available to support apprenticeship delivery (including degree apprenticeships) and related activities can be maintained when compared to 2018-19.

The Traineeship programme

79. There has been a reduction in demand for this programme as a result of the combination of changing demographics, increased numbers of learners staying on at school or college and the increased availability of other ESF-funded programmes that attract the same cohort of learners as the Traineeship programme. The Traineeship contract value for 2018-19 was adjusted to reflect this reduction in demand (with a compensating increase to the budget available for the Apprenticeship programme). It is currently anticipated that there will be full spend.

The Apprenticeship Programme

80. We are currently seeing a sharp increase in demand for the apprenticeship programme fuelled by the introduction of the UK apprenticeship levy. During 2018-19, we anticipate a full spend against the domestic budget and expect to bring in increased amounts of ESF funding (when compared with previous years) in order to fully support demand within Welsh Government priority areas.
81. We expect that demand for apprenticeships will increase in future years and this could lead to us having to make difficult decisions in relation to the support offered within certain occupational sectors/levels. However, that pressure would be alleviated if Westminster honours its promise to replace ESF income with a domestic alternative.

Junior Apprenticeships

82. Junior Apprenticeships are supported from the Further Education Provision BEL (4763) within the Education MEG. With a budget of £0.522m in 2018-19. Ordinarily, learners aged under 16 are funded from the recurrent funding made available to local authorities. Therefore, this funding is in addition to any transfer of funding agreed between a college and Local Authority/School.

Summary

83. The written evidence for Draft Budget 2019-20 is presented to the Economy, Infrastructure and Skills Committee for consideration.

Eluned Morgan AM
Minister for Welsh Language and Lifelong Learning

ANNEX A

Action level summary

- As requested by the Committee, a summary of draft budget changes by Action relevant to this Committee is provided below. As detailed in paragraphs 8 and 9, the summary reflects changes from the First Supplementary Budget figures for 2018-19 (as the year on year comparator) and the 2018-19 final Budget (as the baseline figure).

Work Based Learning Action

2018-19 Supplementary Budget June 2018 £000	2019-20 Allocations as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 New Plans Draft Budget £000
115,709	111,113	(29,000)	82,113

- The purpose of the BEL is to support the delivery of Work Based Learning in Wales. The majority of this budget is utilised in support of the actual delivery of Traineeship programmes (until the 31 March 2019) and Apprenticeship programmes. However, there are other elements that are used to support Welsh Government commitments i.e. employer incentives to facilitate the recruitment of young learners, especially at key educational transition points.
- The decreased value of £4.596m between 18-19 Supplementary budget and Final budget 18-19 plans are as follows:
 - reduction of £7.596m in 19-20 to release core funding by drawing down a greater proportion of the available ESF programme income to offset this reduction. This is offset by a £3m transfer to HEFCW Expenditure BEL in 2018-19 for degree apprenticeships, actioned at the First Supplementary budgeting phase 2018-19.
- There has been a reduction from the 2018-19 final budget of (£29m). The two elements that contribute to the net decrease are:
 - A transfer out of £24m to the Employability & Skills BEL to fund the replacement of the Traineeship programme Working Wales.
 - A transfer out of £5m to the HEFCW Expenditure BEL in respect of degree level funding to support post graduate study in Wales.

Delivery Support – Skills Action

2018-19 Supplementary Budget June 2018 £000	2019-20 Allocations as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 New Plans Draft Budget £000
648	648	-	648

- This funding contributes towards developing key messages and engaging in communications delivered through high profile announcements and events, publicising of major milestones via social media and digital communications, high-profile focused and targeted campaigns and stakeholder engagement.
- There have been no changes to the indicative plans for the financial year 2019-20 financial year.

Skills Policy Action

2018-19 Supplementary Budget June 2018 £000	2019-20 Allocations as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 New Plans Draft Budget £000
1,061	1,061	-	1,061

- The funding for this action contributes towards Employer Engagement, providing support for employer-led projects that support high quality job creation and/or safeguarding, National Occupational Standards and Skills implementation to post-16 employment & skills policy.
- There have been no changes to the indicative plans for 2019-20.

Employment and Skills Action

2018-19 Supplementary Budget June 2018 £000	2019-20 Allocations as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 New Plans Draft Budget £000
28,498	28,498	27,698	56,196

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

- The budget for the Employability and Skills Action has increased by £27.698m in 2019-20 compared to the 2018-19 Final budget. This is made up of the following transfers:
- A Transfer in of £0.548m from the Supporting Digital Learning in Education BEL for Application Maintenance & Support.
- A transfer in of £24m from the Work Based Learning BEL to fund the replacement of the Traineeship programme.
- Transfer in from Reserves of £3.150m for Ford (£1m), Airbus (£1.5m) & other automotive manufacturers (£0.650m), as a result of additional EU transition funding.

Educational and Careers Choice Action (Revenue only)

2018-19 Supplementary Budget June 2018 £000	2019-20 Allocations as per 2018-19 Final Budget £000	2019-20 Changes £000	2019-20 New Plans Draft Budget £000
18,800	18,800	-	18,800

- This action contains the Careers Wales BEL (a wholly owned subsidiary company of the Welsh Government) and delivers a national, all age, impartial and bilingual careers information, advice and guidance (CIAG) service in Wales.
- There have been no changes to the indicative plans for 2019-20.

Annex B for Draft Budget Evidence Paper from the Minister for Language and Lifelong Learning

SKILLS BUDGETS (Within the Education Main Expenditure Group) - ANNEX B (Doc 4)

RESOURCE BUDGET - SKILLS

Action	BEL No.	BEL Description	2018-19 Supplementary Budget June 2018	2019-20 Plans as per 2018-19 Final Budget	Changes	2019-20 New Plans Draft Budget
Work Based Learning	4762	Work Based Learning	115,709	111,113	-29,000	82,113
Total Work Based Learning			115,709	111,113	-29,000	82,113
Delivery Support - Skills	4750	Marketing Skills	648	648	0	648
Total Delivery Support - Skills			648	648	0	648
Skills Policy	4759	Skills Policy Engagement	1,061	1,061	0	1,061
Total Skills Policy			1,061	1,061	0	1,061
Employment & Skills	4464	Employability & Skills	28,498	28,498	27,698	56,196
Total Employment & Skills			28,498	28,498	27,698	56,196
Educational & Careers Choice	4480	Careers Wales	18,800	18,800	0	18,800
Total Educational & Careers Choice			18,800	18,800	0	18,800
SKILLS- TOTAL RESOURCE BUDGET			164,716	160,120	-1,302	158,818

RESOURCE BUDGET - Annually Managed Expenditure - Skills

Action	BEL No.	BEL Description	2018-19 Supplementary Budget June 2018	2019-20 Plans as per 2018-19 Final Budget	Changes	2019-20 New Plans Draft Budget
Educational & Careers Choice	4483	Careers Wales AME	12,000	12,000	0	12,000
Total Careers Wales AME			12,000	12,000	0	12,000
SKILLS - TOTAL RESOURCE AME BUDGET			12,000	12,000	0	12,000

Agenda Item 4

Document is Restricted

Agenda Item 6

Document is Restricted

Memorandum on the Economy and Transport Draft Budget Proposals for 2019-20

Economy, Infrastructure and Skills Committee – 7 November 2018

1.0 Introduction

This paper provides information on the Economy & Transport (E&T) budget proposals as outlined in the 2019-20 Draft Budget which was published in two stages: an outline budget (stage 1) on 2 October 2018 followed by a detailed budget (stage 2) on 23 October 2018. It also provides an update on specific areas of interest to the Committee.

It does not address the budget detail relating to Culture or Sport which the Minister for Culture, Tourism and Sport will address at the Culture, Welsh Language and Communications Committee on 8 November 2018 and the Health, Social Care & Sport Committee on 15 November. It also excludes the areas of Chwarae Teg, ICT Infrastructure, Public Sector Broadband Aggregation (PSBA) and Digital Inclusion which, although included within the E&T MEG, are the remit of the Leader of the House and Chief Whip who will be submitting separate written evidence to the Economy, Infrastructure and Skills Committee.

The 2019-20 draft budget preparations are the first to take place since the publication of the Economic Action Plan (EAP). It provides us with an opportunity to begin realigning budgets to support delivery of the EAP agenda and its blueprint to drive inclusive growth and future proof the economy in all areas of Wales.

The EAP document highlights how its policy, delivery and behavioural changes support and reflect Prosperity for All: the National Strategy and our Well-Being objectives. I am realistic in acknowledging that delivering the EAP's overarching aim of increasing wealth and well-being at the same time as reducing inequalities is a long term agenda for change and will require more than a change in budget lines in any single year.

Nevertheless, in our contribution to the 2019-20 Draft Budget, I have taken the opportunity to undertake a number of important changes. These signal a shift in focus to meet new priorities in the shape of the Calls to Action to future proof business and the new Economy Futures Fund that provides businesses with a clearer line of sight to funding which support the Calls to Action. Whilst recognising the need for change, it is important that our stakeholders see a seamless transition and part of this is ensuring legacy commitments that precede the EAP are honoured.

In this 2019-20 Draft Budget, the presentation of our budgets has been re-stated as detailed in **Annex A**. Recognising that there is a transition in delivering EAP, the principles of simplification and flexibility have been applied. I have been clear that we are taking an iterative approach to implementing EAP, working with our partners. Implementation of our new operating model has begun – the Economic Contract, Calls to Action and Economy Futures Fund. I am now working upon other important elements of EAP, including the approach to Foundation Sectors, National Thematic Sectors and Regional Economic Development. It is important that decisions are not made now that limit our scope in these areas. For that reason, at this stage, I have not established separate Budget Expenditure Lines (BELS) for these elements, instead consolidating budgets into revenue and capital Business Development

BELS, with revenue focussed on enabling initiatives to support business and capital providing direct support to business. Our approach to the 2019-20 Draft Budget and in particular, the creation of the Business Development BELS, provides us with the maximum ability to flex our approach as policy develops.

As a whole, the EAP is structured around seven of the twelve Well-being objectives, but in providing for better alignment between the budget and the priorities of the EAP, the changes set out above support delivery of the “Supporting people and business to drive prosperity” objective in particular. In terms of the cross-cutting themes, skills and employability and decarbonisation are reflected in the Calls to Action, which the new direct support to business is intended to support.

2.0 Summary of Budget Changes

The 2019-20 Draft Budget provides a one year spending plan for revenue and a two year spending plan for capital.

The tables below provide an overview of the planned revenue and capital expenditure for E&T activities in the portfolio excluding Culture, Sport and those areas that are the remit of the Leader of the House and Chief Whip.

The total revenue budget for 2019-20 is £365.89m (excluding Non Cash and Annually Managed Expenditure (AME)). In overall terms, the revenue budget has increased by £32.833m when compared to the revised baseline, as shown in Table 1:

TABLE 1: Overview of the Revenue Budget					
	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue					
Economy	52,018	(4,387)	47,631	5,000	52,631
Transport	299,720	(22,294)	277,426	35,833	313,259
Prosperity for All Initiatives	-	8,000	8,000	(8,000)	0
Sub Total	351,738	(18,681)	333,057	32,833	365,890
Non Cash					
Transport	188,691	0	188,691	0	188,691
TOTAL	540,429	(18,681)	521,748	32,833	554,581
AME					
AME	23,619	128,235	151,854	(98,511)	53,343

Over the period 2019-20 to 2020-21, the total capital budget is £1.122bn. The summary budgets are shown in Table 2 below:

TABLE 2: Overview of the Capital Budget				
	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Economy	93,948	67,365	47,882	115,247
Transport	324,081	445,683	516,452	962,135

Sub Total	418,029	513,048	564,334	1,077,382
Financial Transactions (FT)				
Economy	15,720	32,150	10,900	43,050
Transport	2,200	1,200	0	1,200
Sub Total	17,920	33,350	10,900	44,250
Total Traditional Capital & FT				
Economy	109,668	99,515	58,782	158,297
Transport	326,281	446,883	516,452	963,335
TOTAL	435,949	546,398	575,234	1,121,632
2018-19 Final Budget	390,949	473,526	477,662	951,188
Change in New Plans	45,000	72,872	97,572	170,444

In addition, traditional capital funding is earmarked in central reserves for the M4 pending the outcome of the public inquiry: 2019-20 £173.41m and 2020-21 £215.319m.

2.1 Revenue

There has been a £32.833m movement in the revenue budget, as summarised in Table 3 below:

TABLE 3: Revenue Budget Movements				
Project	Prosperity for All £'000	Economy £'000	Transport £'000	Total £'000
Additional Allocations				
Traws Cymru – continuation of free travel at weekends			1,000	1,000
Transport for Wales – support for the new Wales and Borders rail franchise			32,610	32,610
Total	0	0	33,610	33,610
Reallocation				
Prosperity for All Allocations	(8,000)			(8,000)
Regional Economic Development – support for plans to be developed by the Chief Regional Officers with stakeholders to drive growth		2,500		2,500
Science – Chief Scientific Adviser activities to promote and showcase Wales for innovation, science and research		500		500
Tourism & Marketing – builds on targeted marketing to support Tourism 2020		2,000		2,000
Bus Support Review – commitment to review bus services to ensure they are sustainable and attractive to passengers			2,000	2,000
Youth Discounted Travel Scheme- in response to consultation this will enhance the offer			1,000	1,000

Total	(8,000)	5,000	3,000	0
Reprioritisation & Realignment				
Science – support new STEM EU programme		709		709
Business Development Initiatives – available from time limited small programmes now completed		(709)		(709)
Entrepreneurship – consolidate start up & youth entrepreneurship activity in one BEL		3,596		3,596
Business Wales – maintain separate expenditure line for business information & transfer entrepreneurship to a consolidated BEL		(3,596)		(3,596)
Healthy Working Programmes – additional funding for Time for Change (TFC)		31		31
Corporate Programmes – reprioritised available funding for TFC		(31)		(31)
Network Operations – to reflect delivery plan for the Cleddau Bridge tolls (allocation from Two Year Plaid Cymru Agreement in 2018-19)			2,000	2,000
National Transport Infrastructure – alignment of the delivery of the Cleddau Bridge tolls			(2,000)	(2,000)
Transport for Wales – to support the new rail franchise			14,966	14,966
Network Operations – reprioritisation of investment aligned to the Trunk Roads Maintenance Manual 2015			(14,966)	(14,966)
Total	0	0	0	0
Other Movements				
Third Menai Crossing Feasibility Study – Two Year Plaid Cymru Agreement – expenditure brought forward to 2018-19			(777)	(777)
Total		0	(777)	(777)
Total Revenue	(8,000)	5,000	35,833	32,833

2.2 Non Cash

There has been no change to the non-cash budget for roads depreciation.

2.3 Capital

Over the next two years £158.297m is allocated for Economy. Our capital budgets have started to be realigned in line with the EAP and as part of a managed transition, a number of our capital budgets that previously supported the priority sectors have been consolidated into a Business Development (Direct Support) BEL, which includes the Economy Futures Fund. Further detail on the consolidated funds is provided in section 5.3.

The Business Development (Direct Support) BEL contains forward commitments which were agreed prior to the development of our new operating model. There will be a gradual tapering in those commitments and an increase in the proportion of

support to deliver new projects agreed under the new operating model of Economic Contract, Calls to Action and Economy Futures Fund. Since the launch of the Economy Futures Fund in May 2018, as at September a commitment of just over £7.7m in financial support has been given to 34 businesses.

Access to finance for SMEs continues to be provided through the Business Development BEL which provides £61.374m over two years (including £3.95m FT funding) in addition to £28m for the Development Bank of Wales which includes £7m of FT funding for the Wales Micro Business Loan Fund; £15m for the Wales Flexible Investment Fund and £6m for the Wales Angel Co-Investment Fund over the next two years.

Transport connectivity at a national, regional and local level is vital to social cohesion and access to employment opportunities. Over the next two years £963.335m is allocated for Transport which includes the prioritisation of schemes set out in the National Transport Finance Plan 2015. In addition to traditional capital and financial transaction funding, investments are supported through maximising European funding opportunities, capital borrowing powers for the M4 and innovative financing solutions.

Innovative financing solutions help to deliver additional investment in economic infrastructure. The Mutual Investment Model was launched in February 2017 and will be utilised to deliver the final phases of the A465 dualling scheme.

In addition, £388.729m capital funding is earmarked in central reserves for the M4 pending the outcome of the public inquiry (2019-20 £173.41m; 2020-21 £215.319m). Recognising the development of integrated transport systems is also a key driver for economic growth. The Transport spending plans also include circa. £193m over two years for roads maintenance and improvement.

The total additional traditional capital and financial transactions allocations of £170.444m for the E&T MEG are summarised in Table 4 below:

TABLE 4: Capital Budget – Additional Allocations			
Project	2019-20 £'000	2020-21 £'000	Total £'000
<i>Traditional Capital</i>			
Tech Valleys	10,000	10,000	20,000
Integrated active travel	20,000	30,000	50,000
Taffs Well Depot	16,222	28,672	44,894
Local Transport Fund	26,000	26,000	52,000
Total Traditional Capital	72,222	94,672	166,894
<i>FT</i>			
Wales Micro Business Loan Fund	3,000	4,000	7,000
FTR Repayments	(2,350)	(1,100)	(3,450)
Total FT	650	2,900	3,550
Total	72,872	97,572	170,444

In addition there are a number of changes to expenditure lines to reprioritise and align the EAP and delivery which are summarised in Table 5 below:

TABLE 5: Capital Budgets Reprioritisation & Realignment
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BEL	2019-20 £'000	2020-21 £'000
Business Development – Direct Support – realign infrastructure activity in line with the EAP	(10,000)	(6,200)
Strategic Infrastructure Development – infrastructure activity realigned with the EAP	10,000	4,200
Aviation – reprioritised to support pan Wales developments	-	2,000
Network Operations <ul style="list-style-type: none"> - £15m north / south overtaking improvements A487 & A470 - £14.966m funding required to comply with the Trunk Roads Maintenance Manual 2015 	29,966	-
National Transport Infrastructure <ul style="list-style-type: none"> - realign delivery of £15m overtaking improvements & reallocation of £14.966m to deliver network management priorities. 	(29,966)	-
Total	-	-

The BELS that provide a full breakdown of the portfolio's revenue and capital budgets are detailed by Action in sections 4 and 6.

The E&T MEG also includes a budget allocation for AME, which provides cover for charges that are outside the control of the portfolio, such as impairments on the property portfolio, joint ventures, investments and the roads network. The budget movement reflects the changes in the provision required for the roads network and property impairments.

3.0 Equality, Sustainability, Welsh Language and Demographic Considerations

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

- The population of Wales is projected to increase by 3.1 per cent to 3.21 million by 2026 and by 4.6 per cent to 3.26 million by 2041.
- The number of children aged under 16 is projected to increase to 568,000 by 2026 before decreasing between 2026 and 2041, with a population of 549,000 in 2041. Overall, the number of children is projected to decrease by 1.5 per cent between 2016 and 2041.
- The number of people aged 16-64 is projected to decrease by 81,000 (4.2 per cent) between 2016 and 2041.
- The number of people aged 65 and over is projected to increase by 232,000 (36.6 per cent) between 2016 and 2041.

The 2019-20 Draft Budget has been prepared with a long term perspective and an integrated approach to the decisions taken in line with Prosperity for All: the National Strategy. As part of the budget setting process, our key budget decisions have been considered to better understand the overall impact on different groups of people. Socio-economic disadvantage is an underpinning consideration when assessing the impact of decisions.

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

The Economic Contract will drive change in areas like fair work and the promotion of health, skills and learning in the workplace. Doing these things makes good business sense and also directly supports our people and improves the experience of workers in the workplace.

The regional model for economic development will help drive opportunities in every part of Wales, so that location is no longer a barrier that prevents people and communities from improving their well-being.

The EAP recognises that the economy is integral to creating the social conditions where Welsh speakers can stay in Welsh-speaking communities, or return to those communities. The regional approach will empower thriving local economies to support our target of one million Welsh speakers by 2050.

The focus on Foundation Sectors (tourism, food, retail and care) targets those services that people produce, consume and depend on locally, including care for the old and young. The Foundation Sectors represent often small and micro sized businesses that are 'grounded' in local communities. Supporting their development and sustainability will have an indirect impact on people and communities.

Infrastructure investment is essential to supporting people to access places, services and employment opportunities. For the low paid and young adults in particular, the lack of access to reliable and affordable public transport connections can be a barrier to employment or study. Transport for Wales will work with our new regional teams, the emerging regional transport authorities and partners to create an integrated public transport network, covering the rail and bus networks. The Transport budgets, property related and strategic infrastructure developments and digital connectivity are supporting our aims to support employment opportunities.

4.0 ECONOMY – FUNDING OF ACTIONS

Compared to the 2019-20 indicative budget, there is a net increase in the revenue allocation of £5m. The total capital allocation for 2019-20 to 2020-21 is £158.297m, which is an increase of £21.55m compared with the 2018-19 final budget.

Economy	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	52,018	(4,387)	47,631	5,000	52,631
Total Resource	52,018	(4,387)	47,631	5,000	52,631

Economy	2018-19 First Supp	2019-20 Draft Budget Allocations		
		2019-20	2020-21	Total

	Budget £'000	£'000	£'000	£'000
Traditional Capital	93,948	67,365	47,882	115,247
FT Funding	15,720	32,150	10,900	43,050
TOTAL	109,668	99,515	58,782	158,297
2018-19 Final Budget	74,668	88,865	47,882	136,747
Change in New Plans	35,000	10,650	10,900	21,550

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

4.1 Inclusive Growth and Future Proofing the Welsh Economy Action

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Business Development (Enabling Initiatives)	13,242	(1,500)	11,742	(709)	11,033
Export, Trade and Inward Investment	1,892	0	1,892	0	1,892
Regional Economic Development	263	0	263	2,500	2,763
Entrepreneurship	1,768	0	1,768	3,596	5,364
Social Enterprise & Economy	730	0	730	0	730
Business Wales ⁽¹⁾	8,443	0	8,443	(3,596)	4,847
Business Innovation	859	(255)	604	0	604
Total Revenue	27,197	(1,755)	25,442	1,791	27,233

(1) Excludes Chwarae Teg funding of £360k in the Leader of the House and Chief Whip's portfolio

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Business Development (Direct Support)	82,171	36,068	21,356	57,424
Tech Valleys	0	10,000	10,000	20,000
Business Innovation	3,811	4,066	4,066	8,132
FT				
Business Development (Direct Support)	1,500	5,050	(1,100)	3,950
TOTAL	87,482	55,184	34,322	89,506
2018-19 Final Budget	52,482	57,534	31,622	89,156
Change in New Plans	35,000	(2,350)	2,700	350

As part of realigning our budgets to support the EAP, the previous Sectors, Entrepreneurship and Innovation activities have been brought together under the new action of Inclusive Growth and Future Proofing the Welsh Economy.

For revenue, an additional £2.5m has been reprioritised from the Prosperity for All Initiatives to support the development of Regional Economic Development plans by the Chief Regional Officers, which is a priority in the EAP (as outlined in more detail at section 5.2). This is off set by the transfer of £0.709m to Science to support match funding for a new EU project for the National Science Academy, which will promote STEM activity.

The non recurrent change of £1.755m (when compared to the 2018-19 First Supplementary Budget) is in relation to the foundational economy allocation of £1.5m from the Two Year Plaid Cymru Agreement, which is focussed on the care sector and public procurement and £0.255m for Innovation in relation to the reclassification of R&D expenditure as Capital.

The overall Entrepreneurship revenue budget in 2019-20 is £10.941m which includes Business Wales, Entrepreneurship and Social Enterprise and Economy BELS. £3.596m has been transferred from Business Wales to consolidate the start up and youth entrepreneurship programmes under Entrepreneurship and separate the Business Wales activities, which is supported with a budget of £4.847m. The Entrepreneurship budget also levers in a total of £51m of EU funding 2014-2020 programme.

The three SMART programmes (SMART Innovation, SMART Cymru and SMART Expertise) have been consolidated into a single BEL with a total capital budget over two years of £8.132m. The investment, together with investment in these projects in prior years leverages in £74.33m of EU funding and £55.8m of Private Sector Investment, amounting to a total of £130.13m over the respective project periods in the European Funding Programme round 2014-20. Match funding of £4.2m from Innovate UK (2018-19 to 2020-21) will support the delivery of the Knowledge Transfer Partnership programme in Wales.

For capital, the budget of £89.506m over the period 2019-20 to 2020-21 will help support businesses to start, grow and succeed providing people with secure employment. The Economy Futures Fund is available to help the businesses of today adapt and drive the industries of the future with further detail provided at section 5.3.

The total capital budget includes new FT capital of £3.95m - this is a net figure which consists of £7.4m for economic infrastructure development in 2019-20, offset by a £3.45m repayment over two years for strategic projects (£2.35m in 2019-20 and £1.1m 2020-21).

In the 2018-19 First Supplementary budget, E&T received an additional capital allocation of £5m for the Tech Valleys Programme. A further £20m over two years in this Draft Budget will support Tech Valleys by capitalising on the opportunities arising from the fourth industrial revolution, encouraging the adoption of emerging digital technologies that support cutting edge industries, including the automotive sector. This forms part of a £100m commitment over 10 years, to create at least 1,500 sustainable jobs across Tech Valleys, with the primary focus being Ebbw Vale and the wider Blaenau Gwent area.

4.2 Science Action

BEL	2018-19 First Supp budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019- 20New Plans Draft Budget £'000
Science	773	(632)	141	1,209	1,350
Total Revenue	773	(632)	141	1,209	1,350

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Science	4,561	4,654	4,874	9,528
TOTAL	4,561	4,654	4,874	9,528
2018-19 Final Budget	4,561	4,654	4,874	9,528
Change in New Plans	0	0	0	0

The revenue budget of £1.35m includes additional £0.709m released from the completion of sundry time limited initiatives to support business development. This will reinstate the budget at 2018-19 levels for the National Science Academy and provide match funding to lever in a further £5.7m across the next four years from the European Structural Funds for a STEM programme.

The engine of economic growth and social progress is research, innovation and the development of the right skills for a changing world. To promote and encourage these activities we need to invest in research and development and improve the links between our universities, companies, public services and community organisations. Reprioritising £0.5m from the Prosperity for All initiative will support the Chief Scientific Adviser for Wales to establish a Welsh research and innovation promotional and engagement presence in London.

Further information is available in sections 5.14 and 5.15.

4.3 Development Bank of Wales Action

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
FT				
Business Finance Funds	7,000	21,000	7,000	28,000
TOTAL	7,000	21,000	7,000	28,000
2018-19 Final Budget	7,000	18,000	3,000	21,000
Change in New Plans	0	3,000	4,000	7,000

The total allocation of £28m supports the Development Bank of Wales in improving SMEs ability to access finance and support the creation and safeguarding of jobs. It will, at the same time, improve the integration of the provision of investment related advice and support to businesses by working more closely with Business Wales. The total funding in 2019-20 and 2020-21 supports the Wales Flexible Investment Fund (£15m) and the Wales Angel Co-investment Fund (£6m). The additional financial transactions funding of £3m in 2019-20 and £4m in 2020-21 is for the delivery of the Wales Micro Business Loan Fund. This is a priority for investment as the latest business population estimates indicate that there are approximately 209,000 SMEs in Wales, of which around 199,000 (95 per cent) are microbusinesses. This indicates a growth of 8 per cent since 2012, which suggests a continued and growing demand for smaller amounts of finance and early stage finance.

4.4 Promote and Protect Wales Place in the World Action

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Tourism & Marketing	13,762	(2,000)	11,762	2,000	13,762
Major Events	3,918	0	3,918	0	3,918
Total Revenue	17,680	(2,000)	15,680	2,000	17,680

This new action reflects the direction set out in the EAP and supports the objectives of enhancing the profile, reputation and influence of Wales in developing and maintaining relationships around the world to help promote Wales, support business growth and attract visitors.

The Major Events budget of £3.918m has been protected recognising the significant economic impact of key events. In 2017-18, the Major Events Unit supported 22 sporting and cultural events which delivered 282,000 additional visitors to Wales, supporting over 1600 jobs and generating a direct economic impact of £72.5m. Highlights included major international sporting events such as the Volvo Ocean Race and home grown cultural events such as Machynlleth Comedy Festival and Steelhouse Festival.

An additional £2m from the £8m Prosperity for All initiative in 2019-20 will maintain the Tourism & Marketing budget at the 2018-19 level of funding to support Visit Wales activities. Additional information on the Tourism Partnership for Growth Strategy is included in section 5.11 below.

4.5 Economic Infrastructure Development Action

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Property Infrastructure	4,026	0	4,026	0	4,026
Total Revenue	4,026	0	4,026	0	4,026

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Strategic Infrastructure Development	0	10,000	4,200	14,200
Property Infrastructure	3,405	2,577	3,386	5,963
FT				
Property Infrastructure	7,220	6,100	5,000	11,100
TOTAL	10,625	18,677	12,586	31,263
2018-19 Final Budget	10,625	8,677	8,386	17,063
Change in New Plans	0	10,000	4,200	14,200

¹ Excludes ICT Infrastructure, PSBA and Digital Inclusion which is part of the Leader of the House and Chief Whip's remit.

The revenue budget of £4.026m for 2019-20 is intended to meet the costs and commitments of maintaining a commercial property portfolio that supports property offers to business and the unitary payments under the Lloyd George Avenue PFI scheme. The budget is supplemented by other income collected by the Property Infrastructure division, which are primarily rental receipts and profits from disposing of land and buildings.

The capital budget over the next two years is £17.063m. This will be supported by an anticipated £25.5m that will be generated from land and property sales and circa £6m EU funding. The totality of this funding will be used to support delivery of the EAP, with the aim of providing a balanced portfolio of modern sites and buildings that meet sustainability requirements for our future generations that are capable of meeting companies' timescales for occupation to provide Wales with a real competitive advantage over other locations.

4.6 Corporate Programmes Action

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Strategic Policy Development	450	0	450	0	450
Healthy Working Wales	800	0	800	31	831
Corporate Programmes & Services	992	0	992	(31)	961
Strategic Business Events and Communications	100	0	100	0	100
Total Revenue	2,342	0	2,342	0	2,342

The revenue budget of £2.342m includes an allocation for Healthy Working Wales which delivers workplace initiatives supporting the healthy and active ambitions set out in Prosperity for All: the National Strategy. A transfer of £0.031m has been made to the Healthy Working Wales budget from Corporate Programmes and

Services to support the Time for Change Programme. The funding will support Phase Three of the Programme, which aims to raise awareness and reduce the stigma and discrimination faced by people with experience of mental health problems in Wales, including in the workplace. The remaining revenue budget supports economic analysis, reviews and strategic engagement.

5.0 ECONOMY – KEY POLICIES

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

5.1 Economic Action Plan

Following publication of the EAP in December 2017, we have made considerable progress in implementing and embedding key elements of the Plan. At the front and centre of this work has been the development and introduction of the new operating model (Economic Contract, the Calls to Action and the Economy Futures Fund). This is the centrepiece of the Plan and now frames our relationship with business.

Alongside the new operating model, we have also taken steps to streamline and strengthen the way in which we receive advice so that it is strategic, joined-up, and effective. We have achieved this through the establishment of a new Ministerial Advisory Board (external advice) and a Cross Government Delivery Board (internal advice).

Our focus now is on implementing other key aspects of the Plan. These include regional economic development and foundation sectors.

5.2 Regional Approach

The EAP introduces Chief Regional Officers (CROs) and Regional Business Plans as two new elements in a broader regional economic development toolkit. Their purpose is to bring strategic clarity, leadership and a unity of purpose around regional priorities, challenges, and opportunities. This is particularly important given the wider City and Growth deal context and uncertainty around regional investment in a post-Brexit landscape.

Because regional economic development has to be a shared endeavour across Government, we have also made this agenda the key focus of the Cross Government Delivery Board. This work is leading to a Cabinet paper on the way forward scheduled for discussion in November. I intend to provide further detail following that Cabinet discussion.

Budget Allocations for Regional Approach to Economic Development

Whilst our budgets as a whole support activities, programmes and interventions across all of Wales, I am keen to look at ways in which we can introduce greater transparency in the context of a regional approach to economic development. Officials are exploring options in that regard and I will update Committee as that work develops.

I have prioritised revenue funding of £2.5m in 2019-20 to support the development of the regionally focussed model for economic development.

5.3 Economy Futures Fund

We have consolidated six funds into the Economy Futures Fund. They are:

- Capital Investment and aid for job creation
- Research, Development and Innovation (including SMART Cymru)
- Environmental Protection Scheme (EPS)
- Tourism Investment Support Scheme (TISS)
- Creative Production Funding
- Repayable Fund for SMEs.

Incremental consolidation

We are mindful about ensuring a managed transition – which is why we have initially consolidated a limited number of schemes (six).

It is important that we assess how the Economy Futures Fund operates first, with a smaller number of schemes, incorporate learning, and see what businesses are telling us before we take further steps. The EAP is a partnership between Welsh Government and Welsh business and it is right that we test this new approach and more dynamic relationship with them.

Starting with a handful of funds has provided us with the opportunity to test our new approach so that we can use that learning to expand over time. My officials are exploring opportunities to expand the reach of the Fund, and I have asked my Ministerial Advisory Board for their thoughts on how we might expand the new operating model not just through other business finance schemes but wider mechanisms of government support.

Budget allocation – Economy Futures Fund

Over the next two years my capital plans provide £89.5m for inclusive growth and future proofing the Welsh economy, including £61.374m direct support for business development, £8.132m Business Innovation and £20m for Tech Valleys.

This Draft Budget inevitably includes legacy projects and financial commitments prior to the establishment of the Economy Futures Fund. The majority of these projects have been supported under the schemes now consolidated in the Economy Futures Fund. Historically, there is a lead time in delivering capital projects of 2 to 3 years. Consequently, new offers made from the Economy Futures Fund are primarily planned from late 2019-20 onwards, depending on the scale and nature of the application for support. For example, investment in a new tourism destination project is likely to have a longer timescale compared to the completion of a Creative TV production.

5.4 Enabling Plans

A single enabling plan / Timeline for Production

My initial intention was to publish four separate enabling plans. However, we will now publish a single, integrated, and strategic enabling plan in which each Foundation Sector will be an important component, essentially four chapters of the same book.

I believe this approach will be more effective in promoting join-up across the foundation sectors - this has become apparent in our conversations across Government and with partners.

A key purpose of the enabling plan is to create a unity of purpose on the common opportunities and challenges across the foundation sectors. There was a risk that four separate plans would serve to highlight differences, rather than the many issues the foundation sectors share in common.

A single Plan also better reflects the cross-government spirit of EAP. It balances the need for strategic coherence across the sectors, whilst also leaving the flexibility for bespoke activity within each sector and for differences to be highlighted and addressed.

Earlier this year, I said we would publish the enabling plans in the second half of the year. I am still keen that we follow through on producing a draft before the year is out, but I do not want to impose this on the foundation sectors.

I have been really encouraged by the level of interest that is out there and the willingness to work with us in quite an agile way to produce the plan. I want to tap into that goodwill and intelligence.

That is why I want to produce a Plan in draft and refine this with partners. Whilst we could produce a final Plan before the end of the year, I think it important for everyone to have a chance to contribute.

This will help create a greater sense of shared ownership in the Plan and improve its effectiveness.

Funding to support enabling plan delivery

This issue strikes at the very purpose of the enabling plan and our approach to Foundation Sectors. This is not a narrow, portfolio driven approach – it is about how we work more effectively across Government and with the sectors.

Within this Draft Budget the revenue Business Development BEL of £11m in 2019-20 is available to support enabling initiatives. This does not mean additional resources from my budget. What it does mean is using the significant resources we have engaged across Government in those foundation sectors to much better effect.

The enabling plan will provide clarity on the strategic opportunities and challenges, on where we can make a difference, and what we should expect from partners. We can then channel our existing resources appropriately and facilitate collaboration, disseminate best practice and create a sense of common endeavour around shared priorities.

5.5 The Development Bank of Wales

Launched in October 2017, DBW is a core component of the Welsh Government's economic policy and delivery in support of businesses. This Draft Budget includes

£28m FT funding over the two years. The DBW's remit is to improve SMEs' ability to access finance, in order to start-up, to strengthen and grow, thereby supporting job creation and safeguarding. The DBW is committed to the long-term, integrated and collaborative approach to investment, involving people of all demographics for sustainable growth in Wales. Within each new fund or initiative proposed, the seven integrated well-being goals in the Well Being and Future Generations Act are aligned to outputs and outcomes. DBW also aims to improve the integration of the provision of investment related advice and support to businesses by working more closely with Business Wales.

Some of the key impacts and outputs will be to:-

- Drive up investment levels to £80m per annum within five years. The DBW invested £67m in 2017-18.
- Achieve a minimum target of 1:1.15 Private Sector Leverage (PSL). The DBW secured an additional £70m of investment from the private sector in 2017-18.
- Support 1,400 businesses over 5 years to increase jobs created and safeguarded to over 5,500 per annum by 2021-22. The DBW supported 285 enterprises, thereby creating or safeguarding over 3,900 jobs in 2017-18.

In its first year of operation, the DBW has successfully implemented a number of key initiatives including the:

- launch of Angels Invest Wales (new Welsh business angel network).
- launch of the new £8m Wales Angel Co-investment Fund.
- creation of Economic Intelligence Wales (new research unit in collaboration with the Office of National Statistics and Cardiff University).
- opening new headquarters in Wrexham.

Therefore, the DBW has established firm foundations to enable it to achieve its objectives going forward. During the next two years, it will continue to expand its pan-Wales presence and headcount, thereby demonstrating that it is an institution that serves the whole of Wales by driving economic development across the regions. In conclusion, the DBW now has around £0.5 billion under management to support Welsh enterprises, and is well placed to support both threats and opportunities arising from Brexit.

More information is available at the DBW website:

[Performance and impact | Development Bank of Wales](#)

5.6 City Regions and Growth Deal

Deals provide a framework allowing regions to drive collaborative working, set priorities which support local economic ambitions and objectives as a single voice and deliver key functions at a strategic level.

Cardiff Capital Region City Deal

Over its 20 year lifetime, the £1.2bn Cardiff Capital Region City Deal aims to deliver up to 25,000 new jobs and lever an additional £4bn of private sector investment.

Led by the Welsh Government, the Deal places the South Wales Metro at the centre of a significant infrastructure programme with circa £738m of planned investment made up of funding from the Welsh Government, the UK Government and ERDF.

The Deal also sees a further £495m wider investment fund, comprised of £375m from the UK Government and £120m from local authorities, available to prioritise in line with the objectives of the Deal. With governance arrangements agreed, the Cardiff Capital Region City Deal is in the process of prioritising projects and interventions.

In February 2018, the Cardiff Capital Region City Deal Cabinet approved the strategic business plan, which outlines what is needed to achieve the long-term objectives of this Deal and how the £495m wider investment fund will be used over the next five years to drive the Deal forwards.

The Cardiff Capital Region is already investing £38m, backed by £12m of Welsh Government funding provided from the Innovation budget, to create a world-leading technology cluster in Newport, the first project supported by the City Deal, which is expected to create more than 2,000 jobs.

The investment fund is managed in the Local Government and Public Services MEG over the 20 year period of the Deal. The full allocation of funding is subject to the City Deal's successful completion of Five Year Gateway Reviews, which will evaluate the impact of the Deal's investment of the funding in the five year period up to the Review. Payment of funding for the investment fund in 2018-19 has been agreed at £10m from the City Deal provision, with the first gateway assessment due in 2020-21. Funding for 2019-20 will be agreed in due course.

Swansea Bay City Region City Deal

Over the next 15 years the £1.3bn Swansea Bay Region City Deal aims to boost the local economy by £1.8bn and generate almost 10,000 new jobs, attracting £637m from the private sector.

Eleven major project proposals underpin this deal to deliver world-class facilities in the fields of energy, smart manufacturing, innovation and life science, with major investment in the region's digital infrastructure and workforce skills and talent underpinning each.

This £1.3bn Deal will be underpinned by £125.4m Welsh Government funding, £115.6m of UK Government funding, £396m of other public sector money and £637m from the private sector.

In July 2018, all four local authorities approved their 15 year Joint Committee Agreement. Funding in 2019-20 will be contingent on the assessment of the eleven major project proposals and discussions are also ongoing between the Swansea Bay City Region and the Welsh and UK Governments on the implementation, monitoring and evaluation plan.

North Wales Growth Deal

The six local authorities have established a joint committee structure utilising their existing North Wales Economic Ambition Board (EAB) identity, which also involves partners from higher and further education and the private sector. We continue to

work closely with the EAB and other regional stakeholders to consider how a North Wales Growth Deal can best support their ambitions to bring transformational economic growth. Currently regional proposals are under consideration which will be assessed against the objectives of the EAP, coupled with the aims set out within the Wellbeing of Future Generations Act. Specifically, we are looking for interventions that underpin and sustain growth and target key sectoral strengths including energy, advanced manufacturing and the quality of the natural environment which underpins the rural and tourism economies. The growth bid will be reflected within the Welsh Government's regional economic plan for North Wales.

Mid Wales Growth Deal

The UK Government committed to exploring a growth deal for mid Wales in the Autumn 2017 budget. The Growing Mid Wales Partnership, which comprises a broad cross section of regional stakeholders from the public, private and voluntary sectors in mid Wales, are currently defining a regional economic plan to support the work and help inform the Growth Bid proposals.

5.7 Enterprise Zones

There are currently eight Enterprise Zones across Wales with the objective to:

- Grow the local economy and provision of new jobs.
- Act as a catalyst for growth elsewhere in Wales.
- Improve the attractiveness of the Enterprise Zone for investors.
- Strengthen the competitiveness of the Welsh economy.

Revenue funding of £1.03m has been provided in 2019-20 for the Enterprise Zones in the Business Development (Enabling Initiatives) Action. The programme includes feasibility studies and business case development. There is no designated capital allocation to the programme itself, as any initiatives are embedded in delivery and funded within the Business Development (Direct Support) and the Strategic Infrastructure Development BELS.

An update of progress against key projects across the Enterprise Zones is published annually. The latest report for 2017-18 is published at:

<http://gov.wales/topics/businessandeconomy/growing-the-economy/enterprisezones/?lang=en>

Following consideration by the Economy, Infrastructure and Skills Committee earlier in the year, a review of the Enterprise Zone programme is currently underway which will help inform future delivery of the programme beyond the current financial year. New governance arrangements for the Enterprise Zone Advisory Boards have also been determined.

5.8 Regional Development and Delivery (including Local Growth Zones)

The Regional Economic Development BEL of £2.763m in 2019-20 includes £0.263m for continued support regional priorities including the local growth zone strategy in Powys and the Teifi Valley. The Local Growth Zones model has been trialled in the Teifi Valley and in Powys as a rural alternative to Enterprise Zones, and has been informed and directed by Task and Finish Groups drawn from local stakeholders, including the private sector. Development of regional business plans is a key

component of the EAP moving forward and I will be asking the region to consider the Local Growth Zone model in the context of this work.

In addition, the budget supports other regional and cross border initiatives including the Mersey Dee Alliance, sponsorship of regional events and activities for regional economic partnerships. The Local Government and Public Services portfolio manage the Business Improvement Districts (BIDs) and we continue to work closely to consider both traditional town centre based BIDs and two additional innovative proposals, which will trial the concept in a sector based/ industrial setting.

5.9 Export, Trade & Inward Investment Support

As outlined in the EAP, promoting Wales as a destination for inward investment remains a driver of economic development in Wales. We continue to work with overseas companies and those based in the UK to bring further investment and jobs into Wales. EAP outlines the need to support businesses in their investment decisions and ensure that our proposition really sells Wales as a place to do business.

Budget of £1.892m has been provided in the Export, Trade and Inward Investment BEL. Inward investment activity is delivered through events, sponsorships, seminars and research subscriptions. The budget also includes support for trade missions. The outcomes are monitored closely in terms of delivering value for money, and spend is justified against a detailed business case.

The Department for International Trade's annual report for 2017-18 reported that 57 inward investment projects were secured in Wales, with the potential to create or safeguard over 4,600 jobs (just over 5 per cent of the UK total number of jobs); the number of new jobs created in Wales as a result of investment from companies headquartered overseas rose by over 20 per cent in comparison with the previous year.

Our performance regarding securing investment from companies headquartered elsewhere in the UK has improved in recent years. Last year saw 80 investments by companies headquartered in other UK regions, creating and safeguarding almost 4,800 jobs.

Through our Export Support programmes we assist companies to grow their business with a comprehensive range of services to support them to achieve that ambition. We can help companies to become export and market ready and connect them with opportunities and customers in their chosen markets by supporting companies to travel to overseas markets, exhibit at trade fairs, or meet with potential customers. Over the last year, we have also held a number of in-Wales events for companies to advise them on exporting in a post-Brexit environment.

In order to measure trade performance, value for money is measured by the value of new export business secured by the companies supported. In 2017-18, new orders worth £60m in new business were reported. This was a return on investment of over 35:1 on net programme expenditure.

Our export support programmes comply with the Welsh Government's standards for equality, sustainability and Welsh Language. Trade and Inward investment activity that is taking place outside of Wales has been granted an exemption under the

Welsh Language Standards. Therefore, the Standards do not apply when producing literature/hosting events in overseas markets.

5.10 Support for the steel industry

The Welsh Government remains committed to supporting steel making in Wales to help safeguard a sustainable future for the sector.

The Two Year Plaid Cymru Budget Agreement included a financial commitment of £30m of funding for improvements to the power plant at Port Talbot.

The Steel Procurement Group worked with the steel sector and relevant stakeholders to produce a Steel Procurement Advice Note (PAN) which was published by the Cabinet Secretary for Finance in January 2018.

The PAN supports the sourcing and procurement of sustainable steel in construction and infrastructure projects in Wales.

5.11 Partnership for Growth 2013-2020 – Tourism Strategy

The Tourism Strategy Partnership for Growth 2013-2020 is on track to deliver the growth in spending anticipated in Partnership for Growth. It is clear that continued growth cannot be taken for granted so resources have to be maintained to deliver on key priorities.

In terms of key priorities for Partnership for Growth - we have delivered on the brand and themed years and invested in new products and events. The approach delivered an additional £356m in spend in 2017 alone.

For the last three years of the strategy, we are driving forward the digital gateway; doing more to promote local areas through the 'Wales Way'; putting more resource into Business Events which tie tourism and business growth together and focussing our investment on the areas where we can make a difference, in particular world class product development and major events.

A '[mid-term review of the strategy](#)' was published in November 2016 which includes a series of revised priorities and actions which follow on from the earlier action plans. As the First Minister made clear at a First Minister's Scrutiny Committee meeting in July this year, our priority is to focus on the delivery of the existing strategy. However, as we approach 2020 we will work closely with the industry, in particular through our four regional forums, to shape our next strategy.

5.12 Business Support/Finance

The Wales Audit Office are currently finalising the study on the Welsh Government's provision of business finance. The study will review how the Welsh Government has managed its business activity. It will look at the landscape of business finance and review the Welsh Government's strategic approach, including the analysis of both expenditure and outcomes/output data.

5.13 Support for Automation and Artificial Intelligence (AI)

Automation and digitalisation is one of the Calls to Action The Business Innovation budget can support the development of new technologies in automation and AI with interventions such as SMART Cymru for business R&D and SMART Expertise for academic and business collaboration and support for third party advice.

RD&I support is also provided to larger and Anchor companies likely to be the earliest to be impacted by automation and AI. Our strengths include compound semi – conductors and advanced manufacturing and we aim to leverage funding from the UK Industrial Challenge Fund and EU funding to support these priorities. Our relationships and collaborations with business and academia are also vital in preparing our economy for the future.

Professor Phil Brown has been commissioned to undertake a broad assessment of the technological advancements developing in automation, robotics, artificial intelligence, internet of things and large scale data. The findings will inform the opportunities and challenges for exploiting these technologies in the context of the Welsh economy and the future of work in Wales. The review will investigate what actions will shape the direction of digital innovation in Wales to optimise the benefits. The review will be completed by March 2019.

5.14 Science Programmes

Promoting science and communications form a key part of the Chief Scientific Adviser for Wales' work, as well as pursuing funding opportunities that intend to draw in talent and future investment into Wales. This aligns with the recommendation in Graeme Reid's 'Review of Government Funded Research and Innovation in Wales' – to set up a Welsh Research and Innovation London Office. Revenue funding of £0.5m has been prioritised in the Science BEL to support his work.

To date, Sêr Cymru I and II programme elements have successfully supported three National Research Networks, 12 Research Chairs, 9 Rising stars (future research team leaders), 115 research fellowships (including those supporting researchers returning to academia following a career break) and more than 340 PhD students and postdoctoral researchers. The total investment to date is approximately £100m, with more than £30m from EU funding sources including Horizon 2020 and Structural Funds. Wales is the only country to have used both these funding sources in a synergistic manner to support research.

The first phase, Sêr Cymru I, is near its planned end date of March 2019 and Sêr Cymru II is currently fully committed. We are working with the appointed Chairs and Fellows in the implementation of their respective projects in Wales. We are anticipating an increase in EU match funding from the scope of the project to increase the £5.4m (including EU funding) COFUND grant commitment component of Sêr Cymru to £8.5m. The additional £0.5m allocation as part of this budget plan will help to lever a further EU contribution of £2.6m.

We have provisionally allocated £2m in 2019-20 to build on the success of the Sêr Cymru brand, and progress a new phase - Sêr Cymru III, working in partnership with WEFO, UKRI, industry and health.

The Boiling Water Reactor (BWR) Research Hub

As an example of cross collaborative research, we have recently approved the extension of funding to March 2020 for the BWR research hub and network. The development is supported by a capital allocation of £16m profiled in future years. BWR is led by Bangor University, in partnership with the Imperial College and co-funded by Hitachi GE Nuclear. BWR is designed to stimulate the research community to engage in nuclear Boiling Water Reactor technology research which has not been deployed in the UK previously. This supports the economy of Wales through industrial research and collaboration which will underpin a potential low carbon future energy source. Funding the nuclear research sector helps provide a wide range of employment opportunities in the Anglesey Bangor area and will support the Wylfa Newydd project which will generate employment from apprenticeships, technicians, researchers and engineers to senior academics and industrialists, administration and other roles over a long period of time in the region.

5.15 National Science Academy (NSA)

Working in collaboration with several delivery partners, the NSA will be leading on the £8.2m Trio Sci Cymru (TSC) STEM enrichment project. The annual budget of £0.85m will lever £5.7m of EU funding and aims to increase the take up of and attainment levels in STEM Subjects Amongst 11-19 year olds.

The TSC will strategically target cohorts of Participants (pupils) aged 11-14 sourced from up to 30 schools within the West Wales and Valleys area, with the aim of engaging over 5,500 Participants (pupils) , delivering over 140,000 hours of STEM enrichment activities.

TSC will feature specific programmes to encourage girls, before choosing their GCSE options, to focus on STEM subjects, with the aim of reducing the gender pay gap and bringing more women into STEM careers. TSC is aligned to both the Welsh Government's Prosperity for All: the National Strategy and the objectives of the Well-being of Future Generations Act.

5.16 Preventative Spending

The Well Being of Future Generations Act requires public bodies to consider how deploying resources to prevent problems occurring or getting worse may contribute to meeting their well-being objectives, or another body's objectives. This Draft Budget aims to strengthen the conditions that will enable business to create jobs and sustainable economic growth. The Act is integral to our approach in ensuring Wales becomes more prosperous, resilient, healthier, fairer and more equal society.

Welsh Government has worked with the Future Generations Commissioner and a range of experts to agree a definition which will enable an assessment of whether the spirit of this requirement is really being met. The definition of prevention is: working in partnership to co-produce the best outcomes possible, utilising the strengths and assets people and places have to contribute - a more detailed definition is outlined in Annex A of the Welsh Government's Draft Budget 2019-20 Detailed proposals: A Budget to build a better Wales published on 23 October 2018.

Our interventions across the E&T portfolio action primary intervention, building resilience and creating the conditions to prevent future problems. There is evidence that well paid work is the best route out of poverty and the greatest protection against poverty for those at risk. We continue to create opportunities for individuals and families with initiatives and targeted investment across Wales.

6.0 TRANSPORT FUNDING OF ACTIONS

Transport supports the ambitions in the EAP for a modern and connected infrastructure. There is an increase of £35.833m to the revenue budget from the 2019-20 indicative plans primarily to support the new rail franchise and bus services.

The capital allocation for the period 2019-20 to 2020-21 is £963.335m which supports the National Transport Finance Plan. When this figure is considered alongside funding identified for the M4 held in central reserves, this reflects a significant level of capital funding for Transport Infrastructure over the coming capital budget period. It is still necessary however to prioritise activity and manage budgets, to ensure that the delivery of schemes within the National Transport Finance Plan are both affordable and deliverable.

The detailed breakdown of Actions by BEL activity explained in the following tables:

Transport	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue	299,720	(22,294)	277,426	35,833	313,259
Non Cash	188,691	0	188,691	0	188,691
Total	488,411	(22,294)	466,117	35,833	501,950

Transport	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital	324,081	445,683	516,452	962,135
FT Funding	2,200	1,200	0	1,200
TOTAL	326,281	446,883	516,452	963,335
2018-19 Final Budget	316,281	384,661	429,780	814,441
Change in New Plans	10,000	62,222	86,672	148,894

6.1 Motorway & Trunk Road Network Operations & Domestic Routes Actions

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Revenue					
Network Asset Management	5,836	0	5,836	0	5,836
Network Operations	77,264	0	77,264	(12,966)	64,298
TOTAL	83,100	0	83,100	(12,966)	70,134

Non Cash					
Non Cash	188,691	0	188,691	0	188,691
Total	271,791	0	271,791	(12,966)	258,825

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Network Asset Management	950	850	0	850
Network Operations	40,663	70,963	51,613	122,576
TOTAL	41,613	71,813	51,613	123,426
2018-19 Final Budget				
	41,613	41,847	51,613	93,460
Change in New Plans				
	0	29,966	0	29,966

Welsh Ministers have a statutory duty to provide a safe and reliable Motorway and Trunk Road Network. It is therefore important to ensure that appropriate funding is available to fulfil this objective in respect of both ongoing management and maintenance and improvement.

Motorway and Trunk Road Standards are governed by the Trunk Road & Maintenance Manual (TRMM). The Network Operations budget has been adjusted between capital and revenue funding to reflect the nature of work anticipated during 2019-20 and beyond. However, the overall budget envelope for Network Operations has been maintained.

The revenue adjustment reflects a reduction of £14.966m offset by £2m transferring into this Action from the Road, Rail, Air and Sea Services Action for taking forward the proposed removal of tolls on the Cleddau Bridge (part of the Two Year Plaid Cymru budget agreement). The revenue funding released has been reallocated to support the running costs of the new rail services contract.

The capital budget of £123.426m over two years includes a transfer of £29.966m in 2019-20 from the Road, Rail, Air and Sea Services and Investment Action. This reflects the compensating transfer to maintain the total Motorway and Trunk Road Operations budget capital adjustment which reduces the Roads Infrastructure budget by the same amount. In addition the £15m for north to south improvements for the A487 and the A470 is transferred from National Transport Infrastructure BEL to align to the delivery of the pinch point programme managed within network management.

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

Over the budget period, maintenance budgets will be continually monitored to ensure that we are responsive to reactive works and prioritise capital investment where it is most needed.

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

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Aviation	5,605	0	5,605	0	5,605
National Transport Infrastructure	1,000	4,000	5,000	(2,777)	2,223
Transport for Wales	151,281	(27,607)	123,674	47,576	171,250
Total Revenue	157,886	(23,607)	134,279	44,799	179,078

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Aviation	4,577	4,873	2,000	6,873
National Transport Infrastructure	78,254	76,428	173,840	250,268
Transport for Wales	125,973	185,218	186,299	371,517
FT				
Aviation	2,200	1,200	0	1,200
TOTAL	211,004	267,719	362,139	629,858
2018-19 Final Budget	211,004	281,463	331,467	612,930
Change in New Plans	0	(13,744)	30,672	16,928

Transport for Wales will deliver the new rail franchise which is supported by £171.250m budget in 2019-20. This includes an additional allocation of £32.6m from Central Reserves and £14.966m reprioritisation from the Motorway and Trunk Road Network Operations Action. This additional investment will accelerate the improvement and frequency of services at the beginning of the contract. The revenue budget also includes provision of £5.6m for Aviation activities such as the Intra Wales Air Service, consideration of other potential PSO routes and for managing and maintaining St Athan and its airfield.

The National Transport Infrastructure BEL supports planning and feasibility activities. In 2019-20, £2m is transferred to the Motorway and Trunk Road Network Operation for Cleddau Bridge. There is also a reduction of £0.777m in relation to the Third Menai Crossing Feasibility Study which was accelerated to 2018-19 (this was an element of the Two Year Plaid Cymru budget agreement).

There has been a net movement to the capital budget over two years of £16.928m which includes: a transfer of £29.966m in 2019-20 to the Motorway and Trunk Road Action (£15m for the North/South Improvements; and £14.966m for network management/roads infrastructure projects to comply with the TRMM 2016); an additional allocation of £44.894m from central reserves in relation to the Taffs Well

Depot (£16.222m in 2019-20 and £28.672m in 2020-21); a transfer of £2m in 2020-21 from the previous business solutions budget line for Aviation.

The draft budget also continues to include Financial Transaction funding made available to support investment within the aviation industry. Other opportunities to utilise Financial Transactions funding will continue to be explored along with other innovative financing solutions.

6.3 Sustainable Travel Action

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Bus Support	30,205	(1,000)	29,205	3,000	32,205
Smartcards	966	0	966	0	966
Concessionary Fares	21,169	2,313	23,482	0	23,482
Youth Discounted Travel Scheme	1,000	0	1,000	1,000	2,000
Sustainable and Active Travel	630	0	630	0	630
Total Revenue	53,970	1,313	55,283	4,000	59,283

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Smartcards	1,000	1,000	1,000	2,000
Local Transport Priorities	10,150	36,150	31,150	67,300
Concessionary Fares	38,964	36,651	27,000	63,651
Sustainable and Active Travel	16,650	26,650	36,650	63,300
TOTAL	66,764	100,451	95,800	196,251
2018-19 Final Budget	56,764	54,451	39,800	94,251
Change in New Plans	10,000	46,000	56,000	102,000

This budget supports investment in integrated transport, active travel, Concessionary Bus Travel, smartcards and local transport schemes proposed by local authorities. The Youth Discounted Travel Scheme which was previously a separate action has now been included in the Sustainable Travel Action.

The total revenue budget of £59.283m includes a movement of £4m which is made up of an additional allocation from central reserves of £1m to continue the Traws Cymru free weekend travel; an additional £3m out of the £8m Prosperity for All allocation (£2m to support the Bus Review and £1m to support the youth discounted travel scheme).

The additional capital investment recognises the priorities in delivering active and sustainable travel infrastructure and local transport priorities. The Local Transport

Fund has an additional allocation of £52m (£26m in each financial year; an additional £26m has also been provided in 2018-19) from central reserves for the Local Transport Fund and £50m allocation from Central Reserves in relation to Active Travel (£20m in 2019-20 and £30m in 2020-21).

When taken with the Local Authorities' own contributions to the concessionary fares scheme, the overall funding envelope provided (across both revenue and capital) is considered sufficient to meet Local Authorities' obligations based on the 'no better, no worse' principle and anticipated demand.

6.4 Improve Road Safety Action

BEL	2018-19 First Supp Budget £'000	Change £'000	2019-20 Indicative Final Budget 2018-19 £'000	Change £'000	2019-20 New Plans Draft Budget £'000
Road Safety	4,764	0	4,764	0	4,764
Total Revenue	4,764	0	4,764	0	4,764

BEL	2018-19 First Supp Budget £'000	2019-20 Draft Budget Allocations		
		2019-20 £'000	2020-21 £'000	Total £'000
Traditional Capital				
Road Safety	6,900	6,900	6,900	13,800
TOTAL	6,900	6,900	6,900	13,800
2018-19 Final Budget				
	6,900	6,900	6,900	13,800
Change in New Plans				
	0	0	0	0

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

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

7.0 TRANSPORT - KEY POLICIES

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

7.1 Brexit

We have been working and will continue to work in a joined up way with the UK Government and key stakeholders on operational preparedness for EU exit, including planning for the potential effects on the transport network resulting from new and or additional customs checks at our sea ports and airport. Stakeholders include Wales' major ports, Cardiff International Airport, the Welsh Local Government Association, key local authorities, the Freight Transport and Road

Haulage Associations. Much of the detail of this work remains confidential at this stage reflecting its sensitive, commercial nature.

However, clarity is needed urgently on decisions before government and business can be expected to start investing in significant mitigation measures, otherwise there is the significant risk of investing both public and private resource in solutions which are not needed. The Technical Notices published by the UK Government to date do not help in mitigating that risk.

If significant change is required, I have made it clear that the UK Government must take responsibility for the pressures being put on Welsh businesses and the infrastructure which supports them, and make funding available to assist in the transition to a post-EU Exit environment.

7.2 Rail Franchise and South Wales Metro

In June 2018, Transport for Wales (TfW) appointed their Rail Services Delivery Partner, Keolis Amey to operate the next Wales and Borders Rail Services Contract which commenced from 14 October 2018.

The appointment brings significant benefits and opportunities, including a £1.9bn investment programme by the operator that supports our objectives to bring transformation to communities and people the length and breadth of Wales and its borders, by:

- Creating a network at the heart of communities, accessible to all, and 7 days a week.
- Increasing social mobility and widen access, connecting people with jobs, education, health and leisure.
- Making Wales even more attractive to business and tourists.
- Making travelling by rail enjoyable, enabling people to work and play as they travel on greener, state of the art trains which utilise next generation digital connectivity.

The budget plans for 2018-19 and 2019-20 were based on an assumed profile for the cost of the Rail Services Contract of £150m (2016-17 prices) in 2018-19 (based on six months of the current contract and six months of the new contract) and £120m (2016-17 prices) in 2019-20 (the first full year of the new contract). The expectation, which was set as the original funding envelope, was that the costs would rise in future years to reach £150m (2016-17 prices) when the full South Wales Metro services become operational from 2023-24.

The original funding envelope for the Rail Services Contract was based on a number of assumptions. During the procurement exercise some of these assumptions were adjusted to meet compliance requirements and others to enable accelerated achievement of benefits to passengers, including:

- Early investment in new and refurbished trains.
- Early investment in stations, car parks and interchange facilities.
- Early investment in additional services.
- Modernisation of maintenance and other infrastructure supporting improvement to performance and reliability.
- New ticketing and fares proposals, including contactless ticketing infrastructure.

- Economic development through employment.
- Maintaining a second safety-critical person on all heavy rail services.

The above opportunities and requirements front load some costs and consequently will require additional resource in the short term. In 2019-20, the cost of the new contract is £170.403m, for which there is provision of £122.830m in the 2019-20 Indicative Final Budget 2018-19. An allocation of £32.610m from central revenue reserves has been made and a re-profiling of £14.966m within the E&T MEG support the full cost. £0.844m is for non-franchise rail related activity such as the British Transport Police funding.

The end of the annual access charge rebate from 2020-21 is covered in more detail the Access Charge Adjustment section below.

The overall cost of the Rail Services Contract over the 15 year term is within the original cost envelope defined at the outset of the procurement. It will achieve a 16% saving when compared against continuing with the existing franchise and access charge adjustment arrangements. Furthermore the revenue cost of the Rail Services Contract is two per cent (net present cost) lower than the revenue cost envelope provided at the start of the procurement exercise.

Access Charge Adjustment

The financial implications of the agreement between Welsh Ministers and the Secretary of State for Transport regarding the existing access charge adjustment mechanism is captured within the Funding and Outputs agreement. Importantly, the Secretary of State retains the regulatory risk and opportunity for future changes to access charge payments to Network Rail resulting from regulatory reviews, which means that the Wales and Borders rail services contract will be treated in the same way as any other franchise and there will be no negative impact on fares or services levels. The Funding and Outputs Agreement has been published on the Welsh Government's website.

The Committee will recall that it was previously reported that the Welsh Government had been required to pay the UK Government in excess of £1bn over the course of the next 15 years of the Wales and Borders Rail Services contract. This has now been successfully re-negotiated, and the Funding and Outputs Agreement sets out how the new mechanism will work.

During a transitional period, which is designed to account for the way the Welsh Government is funded and HM Treasury's Spending Review assumptions (2017 – 2020), the Welsh Government will make two payments to the Department of Transport of £24.89m in 2018-19 and £71.8m in 2019-20. These costs will be accommodated within existing Welsh Government budgets. From 2020-21 the current Access Charge Adjustment mechanism will end.

Investigations into the South Wales network are ongoing as part of the discussion with UK Government to transfer the asset. Any adjustments relating to the ownership of the asset will be completed in subsequent supplementary budgets once the outcome of the investigation is known.

A new arrangement, base lined to the forecast access charges in our new Wales and Borders Rail Services contract (and therefore included in the overall cost base for the contract), will be in place. This means that future adjustment payments

resulting from regulatory reviews, between the Welsh Government and the Department for Transport or between the Department for Transport and the Welsh Government, will be determined by comparing actual access charges paid to Network Rail to the payments in our rail services contract. If the actual access charges match the level in our contract there will be no requirement for an adjustment either way.

Concurrently the UK Government will pay the Welsh Government a sum of £2m in 2018-19 and £4.4m for 2019-20 to operate the England only services part of the contract. For subsequent years, the England only services funding will be indexed using the same methodology that applies to equivalent franchise payments.

Within the Funding and Outputs agreement the Secretary of State has reconfirmed his commitment to provide £125m (2014 prices) towards the cost of the South Wales Metro, which will be drawn down in line with expenditure.

7.3 Integrated Public Transport Network

Integrated Transport connectivity at a national, regional and local level is vital to social cohesion and access to employment opportunities. The additional capital investment of £30m in 2018-19 in the Cardiff Region will support the development of integrated transport systems which is a key driver for economic growth. Public transport improvements support our aspirations to reduce emissions by reducing car use and provide cleaner and more efficient vehicles with good outcomes for our health and our environment.

The continuation of revenue funding of £1m for free bus travel on Traws Cymru routes is also important in generating sustained passenger growth and modal shift from car to public transport on key corridors in rural areas.

In recognition of the far reaching benefits associated with greater levels of active travel and connectivity, an additional investment over the next three years of £60m (commencing in 2018-19) will support our dedicated Active Travel Fund to boost delivery of active travel schemes across Wales. Further information on the allocations to local authorities is detailed in the Written Statement on 10 August and is available at:

<https://gov.wales/about/cabinet/cabinetstatements/2018/activetravelallocations/?lang=en>

7.4 Transport for Wales

TfW was established in 2015 under the Companies Act 2006 and is fully accountable to the Welsh Ministers, as a wholly owned subsidiary company limited by guarantee.

TfW has a clear, legal identity within a robust and well-established framework. There is a distinct separation between the Welsh Government and TfW, allowing TfW to make independent operational decisions.

Accountability to the Welsh Government will be secured by a series of strategic levers. Some elements, such as the Articles of Association, are required by law; others help to guide the interaction between TfW and the Welsh Government. The Remit Letter sets out the operational remit and the cumulative funding available from

the Welsh Government to support the delivery of the remit. Funding is paid to TfW as a grant quarterly in advance.

The Company is remitted to manage the Wales and Border rail service and the delivery of the South Wales and the North Wales Metros.

The Welsh Ministers aspiration for TfW is to enable the Company to take on a much wider range of transport functions. The EAP commits that TfW will work with the Welsh Government's new regional teams, the emerging regional transport authorities, and partners, to create an integrated public transport network, covering the rail and bus networks.

7.5 Delivery of the M4 Relief Road

Funds are held in capital reserves for the M4 Project pending statutory decision making. No allocations will be made until the outcome of that process.

The year-long Public Inquiry has concluded and officials are carrying out due diligence on the Inspectors' report. Public Inquiry has allowed all to have their say and subject the project to open and robust scrutiny, by independent inspectors, as to whether, in collaboration with the South Wales Metro, it is the long term, sustainable solution to the problems associated with the M4 around Newport.

The next step is a decision whether to 'make the Orders', effectively planning permission, which would be followed by the committed Senedd debate and vote before construction contracts are potentially awarded.

7.6 Trunk Road and Motorway Network

Infrastructure Delivery Division:

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

- A465 Heads of the Valleys road between Gilwern and Brynmawr: Whilst complementing other schemes along the Heads of the Valleys route this scheme will improve accessibility to and from an area recognised as one of the most economically deprived in Wales.
- Newtown bypass: Will provide improved North / South journey times which will remove congestion from the town centre. This scheme is currently planned to be open to traffic later this year / early next year.
- Developing / progressing work on numerous other routes around Wales including A55 Corridor across North Wales, and A40 West Wales. Most recently announcing the following project updates:
 - Preferred route for the 3rd Menai crossing.
 - Commencement of the construction of the Caernarfon Bypass and the A55 Aber to Tai'r Meibion scheme (subject to Ministerial approval).
 - The imminent announcement of a preferred route for the A55 junctions 15 and 15 scheme improvement works.
 - The delivery of the A494 / A55 / A548 Flintshire Corridor through an ECI form of project delivery.

- Scheme development of the New Dyfi Bridge project in Machynlleth.

All of these activities are programmed in the context of available and anticipated budgets. However, it must be recognised that all expenditure is subject to inflationary pressures and risk. We aim to manage this by including risk and optimism bias in our projects as well as having clear points at which assumptions and estimates are reviewed and updated which includes forecasts of inflation. In the case of construction projects this is often at key stages of development and delivery. The contracts also include construction inflation indices (includes the cost of materials and labour). We also try to manage the impact of inflation within budget baselines, usually through finding efficiencies and managing delivery requirements across the portfolio.

Network Management Division:

Trunk road highway and motorway assets are components of the largest single asset on the Welsh Government balance sheet, and are continuously inspected, maintained and improved. The effects of the extreme weather events experienced from last winter are still being felt and there has been an increase in expenditure to maintain the network. 2019-20 expenditure will depend on the severity of the forthcoming autumn/winter periods.

Trials of new road surfacing methods and materials are ongoing which should reduce long term whole life costs and provide significant savings due to increased durability and also provide benefits in safety and low noise levels. Innovation in methods of construction and use of new materials and components is encouraged on all trunk road and motorway asset programmes.

The Pinch Point Programme continues in the feasibility and planning stages, considering multiple improvement schemes which will deliver the benefits of journey time reliability, easing congestion and increased safety throughout Wales. In 2019-20 there will be £15m of local improvements on the A470 and A487, mainly in the mid-Wales areas, from the Two Year Plaid Cymru budget agreement.

The A55 resilience project has already provided much needed quick wins in terms of safety schemes including the average speed cameras installed at Rhualt Hill. Further short, medium and long term measures are currently being developed and will be implemented late 2018-19 and into 2019-20.

Work is progressing on the feasibility of improvements to ease congestion on the A483 Wrexham area, M4 west of Junction 32 and A470 dualled section from Heads of the Valleys to Coryton.

7.7 Delivery of Active Travel Policy

With the approval of the Integrated Network Maps of nearly all local authorities earlier this year, we reached a major milestone in the implementation of the Active Travel Act. For the first time we have a comprehensive set of coherent plans for walking and cycling routes for all the larger towns in Wales, which have been developed in consultation with local communities.

This helped make the case for the in-year establishment of the £60m three year Active Travel Fund, which is kick starting the creation of these new and improved routes. The first £10m funding was allocated in the summer, within 6 weeks of the

fund being established. 11 strategic schemes and 13 packages of local schemes are receiving funding in the first round.

There has been a noticeable change in the desire for ambitious active travel schemes among communities and community leaders, as evidenced by the scale and number of projects put forward for funding or which are currently at feasibility stage.

Bids for schemes starting in the next financial year will be invited later this year. These will build on the £5m feasibility and pre-work for scheme development we are funding in 2018-19.

Complementing the Active Travel Fund, we are maintaining our £5m Safe Routes in Communities programme, which specifically focuses on improvements to walking and cycling routes to schools and related facilities such as shelters. Two further grant programmes support the active travel agenda. The £4m Road Safety Capital Grant helps local authorities improve locations and routes with a history of personal injury collisions, including those involving pedestrians and cyclists, and the Local Transport Fund, which has been boosted to £78m over this and the following two years can help fund active travel improvements as part of integrated transport schemes, as well as other schemes such as public bike share.

The main activities aimed at active travel promotion, training and awareness raising which are funded through transport budgets are the Active Journeys programme, delivered by Sustrans and working in schools across Wales, and the funding of National Standard Cycle Training and Child pedestrian training.

7.8 Investment in Rail Infrastructure

Rail Infrastructure remains to be non-devolved and the Welsh Government does not receive funding to undertake such changes. However, when the case is made and an opportunity arises to invest the Welsh Government will do so.

The new Rail Services Contract includes almost £5bn of investment over the next 15 years. A proportion of this will be on investing in improved Rail Infrastructure:

- £793m will be invested to implement the South Wales Metro (£738m) and Taff's Well depot (£55m over the period 2019-20 to 2021-22). This investment includes significant infrastructure changes along with electrifying 172km of track.
- Around £900m for South Wales Metro infrastructure operation, maintenance and renewal and Valley Lines asset transfer expenditure.
- £3 billion rail services revenue expenditure.

Other examples of where the Welsh Government is developing a new transport interchange at Bow Street which will open in 2020. The Welsh Government is considering the case for investing in a new station at Llanwern (South Wales). An additional £10m has been committed to undertake infrastructure improvements at Wrexham. As part of the North Wales Metro the case for a new station at Deeside and enhanced interchange facilities at Shotton are being reviewed.

We will continue to work with the industry to identify opportunities for investment in the future.

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

Bus and community transport continues to be an important consideration for the budget as these sectors provide connectivity for the public, who greatly rely on public transport. The number of passenger journeys on buses, for example, remains between three and four times that undertaken on trains.

A consultation on bus services in Wales was launched on 8 March 2017 following the successful Bus Summit on 23 January 2017. The summary of responses was published in August 2017. Transport for Wales and Welsh Government officials are working together to undertake the Bus Strategy Review to deliver a cohesive passenger focused public bus network. It is intended that the review will be completed in early 2019 and thereafter be used to target public funding.

Three business cases are being developed by Transport for Wales to:

- Develop an integrated responsive transport.
- Identify a national network that is well planned, integrated including with rail services, with better infrastructure and more reliable services.
- Establish better ticketing arrangements and back office support.

Annual bus revenue support funding of c£90m supports service delivery and includes maintaining the Bus Services Support Grant (BSSG) at £25m. This level of BSSG has remained the same since 2013-14. Whilst services are considered affordable for the current year it is clear that with inflationary pressures and an ageing population the Welsh Government's ability to continue to fully support all initiatives will become unsustainable unless current baseline funding significantly increases or there is a fundamental change to the way in which services are supported. This is something that the review will be looking to identify and propose ways of addressing.

We continue to support the work of Bus Users Cymru and the Community Transport Association in Wales to ensure that bus passengers' views are represented effectively in developing our policies for the bus network. Community transport makes an important contribution to an integrated public transport network and social cohesion, particularly in remote and rural communities, and during times of limited funding.

The Welsh Government continues to fund the TrawsCymru long distance bus network and we have made substantial improvements to the network of services over the last five years. Improvements include new routes such as the T6 linking Brecon to Swansea. In July 2017, we introduced a major 'ground breaking' weekend free travel initiative. As a result of this investment, the TrawsCymru bus network carried a record 1.74 million passengers in 2017-18. This continues to grow as more requests are received for additional TrawsCymru services providing high-quality, limited stop services. As part of the Two Year Budget Agreement with Plaid Cymru, additional funding of £0.2m in 2018-19 and 2019-20 has also been made available to introduce a new TrawsCymru coach service linking Aberystwyth to Carmarthen, Port Talbot and Cardiff.

The Welsh Government is funding two full-time posts within the METRO local authorities in north and south Wales to lead, co-ordinate and deliver the bus elements over five years, within the envelope of a statutory bus Quality Partnership Scheme (QPS). A QPS would be valuable in helping to shape future investment in the bus network outside the METRO areas.

Local authorities are responsible in law for reimbursing bus operators for carrying older or disabled passholders under the free concessionary bus travel scheme. Authorities are also obliged to ensure that those bus operators are “no better and no worse off” as a result. The Welsh Government’s budget of £60m in support of the local authorities’ expenditure on reimbursement will continue to meet their responsibilities, supplementing the contributions that local authorities continue to make from their own budgets, reflecting the funding that they provided for discretionary schemes before the mandatory scheme was introduced in 2002. Collectively, these local authority contributions amount to some £10.3m annually. In addition, we meet the cost of local authorities’ administration via a £3 per live pass in circulation, each year. Currently, there are some 730,000 concessionary bus passes in circulation throughout Wales.

In terms of discounted travel for young people, £1m has been re-prioritised in the Youth Discounted Travel Scheme BEL to continue the Young Persons Discounted Bus Travel scheme which was introduced as an 18-month pilot in September 2015. A consultation on potential enhancement of the scheme has concluded and the summary of responses was published in June 2018. In 2019-20, additional funding has been earmarked for enhancing the scheme and an announcement will be made in due course. The Welsh Government will also work with the bus industry to determine the potential to continue this initiative on a commercial basis.

Consideration of the options for enhancing arrangements for bus services in Wales are ongoing and proposals for reform will be announced as soon as possible.

7.10 Support for Local Transport Priorities

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

This Draft Budget includes an additional £52m (£26m additional budget also provided in 2018-19) to the Local Transport Fund. This fund will allow Local Authorities to bid for funding for schemes that encourage sustainable transport and easing congestion, particularly on public transport routes.

7.11 Decarbonisation

We will be establishing an advisory, non-statutory National Infrastructure Commission for Wales which will take account of our duties under the Environment (Wales) Act, including the sustainable management of natural resources and Biodiversity and Resilience of Ecosystems Duty.

Our updated Transport Strategy – due to be published in May 2020 – will include a key focus on moving to lower carbon modes of transport to meet both our

decarbonisation targets and reduce the growing number of Air Quality Management Areas which have a strong link to transport related emissions.

The new rail contract reflects our commitment to carbon reduction. Treherbert, Aberdare, Methyr Tydfil, Coryton and Rhymney lines running north out of Cardiff Queen Street will be 100 per cent electric traction, with the electricity sourced from 100 per cent renewable sources (50 per cent from within Wales). There will be a reduction in carbon emissions of 25 per cent across the whole service by the fifth year, as a result of introducing the latest generation of low emission Diesel Multiple Units (DMU).

As set out in my Written Statement of 11 October, the £2m funding for electric charging points which was agreed in the Two Year Budget agreement with Plaid Cymru, will be used to help create a publicly accessible national network of rapid charging points. The focus will be on locations on/near our strategic road network, with a particular emphasis on North-South and East-West journeys.

Following detailed information and advice that I have received and considered, particularly on my aim to lever in as much sustainable private investment as possible to support the creation of a national network, I am looking at a national concession delivery model. The framework and specifications will be as innovative and inclusive as possible in terms of adding value to local communities and businesses.

I have also tasked officials to explore the feasibility of extending the deployment of the funding to charging points at park and ride facilities and taxi ranks to encourage and benefit public transport use in the wider sense.

Additional scoping, analysis and testing with key stakeholders, including local authorities, will now take place to set the strategic framework and specifications. I see the value in placing a national network within a statutory strategic and spatial planning context and will look to have this reflected within the National Development Framework. My aim is to go out to procurement in Spring 2019.

7.12 Preventative Spending

The majority of Transport expenditure for programmes and policies may be attributed to preventative spend such as: active travel in terms of promoting sustainable modes of transport and thus reducing environmental impacts and increasing activity levels which support health outcomes. Concessionary bus travel is particularly important in rural areas and vital for social cohesion and well being. Our investment in road safety, road maintenance and improvements in network management helps to prevent more significant issues and accidents over the longer term. An important example of how our transport services will be transformed is the South Wales Metro, with potential opportunities to deliver much more for regions than an improved public transport network. As an integral part of the Cardiff Capital Region City Deal this will be the catalyst for the broader regeneration, helping to shape the regional economic and social infrastructure, social mobility and equality of opportunity for some of our most deprived areas. In delivering better outcomes preventative spending measures are therefore important for the long-term.

8.0 EVIDENCE BASE FOR BUDGET DECISIONS

Evidence from a wide range of sources underpins our financial decisions such as published research, engagement with stakeholders, previous policy evaluations and statistics.

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

In the last year, we established Economic Intelligence Wales (EIW). This is a collaboration between the Development Bank of Wales, Cardiff Business School and the Office for National Statistics which will provide a unique resource for Wales. EIW will provide the evidence base for policy decisions, enabling the Welsh Government, Business Wales and DBW to challenge and adapt the support offered to Welsh SMEs.

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

We fund the Wales Social Partners Unit, through a competitive tender process, to deliver engagement services between Social Partners and the Welsh Government in Wales. This helps ensure that the views of some of our key stakeholders are embedded into policy development and delivery.

We have simplified and streamlined the advisory architecture, replacing a range of advisory bodies with a single E & T Ministerial Advisory Board that provides regular, creative and high-quality advice to me to help improve economic development in Wales in line with the priorities and vision set out in the EAP.

From a transport perspective, we fund Bus Users Cymru to represent passengers' interests and to input to policy development. This includes contributions to policy consultations, monitoring of bus services, dealing with complaints and holding bus surgeries throughout Wales.

9.0 MONITORING BUDGETS

In developing the plans in this Draft Budget, detailed in-depth reviews have been undertaken across the portfolio and aligned to Prosperity for All: the National Strategy. During in-year delivery of programmes, all business areas are robustly challenged on a monthly basis and quarterly in-depth reviews are undertaken by officials to ensure that we continue to deliver against our outputs and outcomes.

Budget movements are made as necessary to ensure that we deliver optimum impact.

10.0 EVALUATIONS/REVIEWS

Outcomes are monitored for each of the projects and contracts that are managed within the portfolio. Feasibility studies are undertaken prior to the commencement of key projects to assess suitability for going forward in delivering against our wellbeing goals. Evaluation of projects and programmes are undertaken during and at the end of projects and can be undertaken internally or by external contractors.

The need for and scope of evaluation can be taken on a case by case basis during policy and programme development having regard to the risk, size and scale, existing evidence base and other factors.

Commissioning evaluations and research is one way of gathering evidence on policies and programmes, but is not the only way and is not always the most appropriate.

Gateway reviews for large projects are undertaken to assess value for money and both internal and external audits have and will be undertaken, which provide further evidence to support policy outcomes.

Sometimes the existing evidence base is used to shape programmes and policy and there is not always a need, or a good value for money argument to produce new evidence. Organisations such as the Institute for Public Policy Research, What Works Centre for Local Growth have produced a reports analysing which policies are most effective in supporting and increasing local economic growth. Similarly, the OECD has conducted a review of local economic and employment development policy approaches in OECD Countries and considered how these might be applied in Wales.

As we have developed and implemented the EAP, we have engaged widely with stakeholders. In the first phase of delivery, stakeholders have been helping us shape the implementation of the Economic Contract.

To remain responsive to the needs of the business community we undertake staged evaluations of the services within Business Wales, from inception through to final evaluation. The findings are used refine delivery and help inform future policy decisions.

From a transport perspective, we provide funding for Bus Users Cymru with Transport Focus to undertake annual surveys of bus passengers, and non-bus users, to identify what things the network has got right and where it needs to improve. The latter work is intended to confirm investments which are needed to attract more car drivers and passengers onto buses, especially fare-paying passengers and especially at peak commuting hours.

We closely monitor accident data and work with partners to improve the use of data and analysis to target interventions most effectively. We recently commissioned reviews of key funded interventions and tightened rules regarding which schemes are eligible for funding.

11.0 Brexit

In terms of financial implications for the portfolio of the UK leaving the European Union, extensive work is underway across the Welsh Government to ensure we maximise our influence in discussions within the UK and in turn in formal EU negotiations and thereby secure the best possible outcome for Wales. A UK Treasury guarantee on funding for current European Structural and Investment (ESI) Funds and other EU programmes provides some degree of certainty for investments made before our exit from the EU. Beyond the date of exit, however, there remains uncertainty about how that guarantee will work in practice, including the implications of any transition deal, exit agreement, or “no deal”.

We are also pressing the UK Government to confirm successor funding to replace our ESI funds. We have been clear since the referendum that Wales should not lose a penny of current EU funding, honouring promises made during the campaign. We are committed to working with UK Government to secure appropriate funding for Wales.

We also expect the UK Government to honour its commitments to the transfer of powers and responsibilities from the EU to Wales. For this to be meaningful it must be accompanied by an appropriate level of funding to enable us to deliver those new responsibilities.

Since the referendum we have been engaging widely with businesses right across Wales to understand the risks and opportunities of Brexit. We recognise of course that businesses have concerns around the uncertainty ahead and about specific issues around access to the Single Market and tariff and non-tariff barriers.

We are hearing evidence that some firms are delaying investment decisions, or that they are planning based on a worst case scenario. This is why it is so important that we are clear that Wales remains open for business and that we stand ready to continue to support business in making the case for future investment in Wales.

One of our biggest efforts to the potential negative impact of Brexit is making our businesses ready and able to export and trade and we are increasing our efforts to grow the number and scale of Welsh based businesses that are exporting through bringing forward a pro-active plan for export support.

We need to focus on supporting businesses to prepare for the regulatory changes caused by Brexit. Beyond that we will also want to focus on supporting businesses looking to maximise the opportunity of any new and expanding markets around the world, in line with whatever trading arrangements are in place. In September we launched the new Business Wales Brexit Portal that not only provides relevant information and advice to businesses but also contains a diagnostic tool designed to help businesses better assess their level of preparedness and what actions they need to take to prepare.

We are focussing our efforts on protecting jobs and the economy for the longer term, through the allocation of funding to specific activities such as the Development Bank of Wales, communicating our pro-business message and by engaging directly with business on their priorities.

Proactive campaigns are also supporting businesses and tourism. The Two Year Budget Agreement with Plaid Cymru provides recurrent funding of £3m in 2018-19

and £1m in 2019-20 for the Tourism & Marketing BEL which has enabled us to build on the successful Wales brand.

This year, we commissioned a research report on the impact of Brexit in Wales. A report "[EU Transition and Economic Prospects for Large and Medium Sized Firms in Wales](#)" commissioned by the Welsh Government and prepared by Cardiff Business School.

We are aware of the need to strengthen our intelligence on trade between Wales, the UK and the world. There is currently no data on Wales' exports to, and imports from, the other nations of the UK. As a first step in responding to this demand, consideration is now being given to funding pilot work, utilising the EU Transition Fund, to develop trade data for Wales.

We are continuing to build on the evidence base in relation to Brexit through our regular discussions with businesses in Wales. A subgroup of the Council for Economic Development, the EU Exit Working Group, has met several times over the course of the last year, bringing together key partners and organisations to develop our collective understanding of the challenges and opportunities presented by the exit from the EU.

The timescales and scope of UK Government legislation in relation to Customs and Trade is unclear at this stage, however, amending these systems will have an economic impact and will particularly impact on the ports and harbours of Wales. We are working with counterparts in the UK Government to understand what is proposed in this legislation, in order that we can mitigate the risks for Wales and maximise the benefits.

12.0 LEGISLATION

12.1 The Wales Act 2017

The Wales Act expands the National Assembly's legislative competence in several transport areas. It also expands the executive functions of the Welsh Ministers in transport, particularly in the areas of ports and road traffic; these provisions came into force April 2018.

The Wales Act places new regulatory duties on the Welsh Ministers in regards to ports and harbours, mainly with regard to Harbour Orders; applications for which are subject to a fee. Staff resourcing and deployment has also been reviewed to ensure that the new duties can be undertaken effectively.

The other new powers granted by the Act are discretionary functions, and the financial implications of policy development will be factored into the policy development. Consultations have been published on potential changes to the taxi and private hire vehicle licensing regime, and the organisation of bus services in anticipation of the expanded powers coming into force. Both consultations note that these potential changes could be cost neutral, making better use of the existing resources spent in this area.

From the 1st of October 2018, the Welsh Ministers have assumed responsibility for the licensing of onshore petroleum extraction from the UK Oil & Gas Authority.

The necessary administrative arrangements for the licensing functions to operate effectively have been put in place. A new statutory instrument is in place which enables us to charge license holders for licensing functions. The financial and resource implications of the new responsibilities have been assessed and mechanisms are being developed to ensure Welsh Government is able to discharge its duties.

In preparation for this new area of responsibility, a consultation has been held on our preferred policy towards future petroleum extraction in Wales.

12.2 Bus Services Act 2017

The Bus Services Act 2017 mainly applies to England only and legislation currently in force in relation to bus services in Wales will remain in place. The Act amends the Equality Act 2010, introducing a requirement on bus operators to provide accessible information to disabled passenger during the journey, including next stop audio visual announcement systems. The provision amends the Equality Act 2010, and provides that the Regulations and supporting guidance shall be made by the Secretary of State for Transport in consultation with the devolved governments in Wales and Scotland. The relevant provisions in the Bus Services Act that apply in Wales will be cost neutral to the public sector in Wales, although the Regulations that follow may add about 0.4% to the cost of operating bus services in Wales (if audio visual next stop announcements are included in the Regulations).

Bus services across Wales provide a vital link between our communities and an important supporting tool in ensuring a vibrant economy. The Welsh Government has been clear that we can do more with the money we use to support buses in Wales and I have been clear that, over the next few years, using the tools that we have gained in the Wales Act 2017, we can reshape the industry in a way that supports that ambition. This will require primary legislation and later this year, a White Paper will be published that contains proposals for a range of options to empower, through legislation, local authorities to determine the most appropriate model for providing bus services in their area.

13.0 WELL BEING OF FUTURE GENERATIONS (WALES) ACT 2015

The 2019-20 Draft Budget is the third published budget since the Well Being of Future Generations (Wales) Act came into force. As in the previous two years, the Act has provided the framework for developing our plans, but we have taken this a step further in developing the EAP. The EAP is an example of how our decisions connect more clearly to the well-being objectives, and explains how we contribute to achieving the objectives of the Act.

The EAP pays close attention to our obligations under the Act, embedding the principles within our strategic thinking and policy development. We have taken the Act's overarching intention to create a Wales that we all want to live in now and in the future and used this to inform the EAP's focus on interventions to equip people, businesses and places with the tools they need to shape their own futures.

The EAP directly supports delivery of seven of the twelve well-being objectives (in addition to indirectly contributing to the other five) and these objectives are used as the framework around which the EAP and its actions are structured.

The prominence of these well-being objectives serve to ensure common purpose between the objectives of the EAP and the Act and provides internal and external stakeholders with assurance that we are all working toward the same objectives.

In addition, consideration of the objectives has helped to join up the interventions set out in the EAP and helped us to better recognise the relationships and inter-dependencies between the objectives and the individual actions that flow from them.

This has influenced the development of key policy changes, such as the Economic Contract and its associated Calls to Action. These new interventions are not simply about a narrow approach to business support, but are about ensuring we secure wider impacts across a number of the objectives. The adoption of this broader, more joined up view is directly attributable to applying the principles in the Act.

We have demonstrated each of the Act's five ways of working in the development of the EAP. For example, in seeking to address entrenched, long-term and structural challenges like productivity and spatial variations, the EAP is long-term in its approach, recognising these are generational issues and the need to take action now, to prevent these challenges continuing to shape economic outcomes in the future. This includes focus on ensuring businesses are preparing themselves for the future and the focus on skills in supporting individuals to reach their potential.

14.0 REDUCING THE IMPACT OF DEPRIVATION AND POVERTY

Prosperity for All: the National Strategy provides a framework for our whole-government approach to prosperity for all and addressing the root causes of poverty in a more effective, joined-up way. The strategy will be driven by a focus on raising skills levels, ensuring sustainable employment and spreading the benefits of economic growth as widely as possible.

Transport plays a vital role in driving Wales' economic competitiveness, connecting people, communities and business to jobs, facilities and markets. Our focus is to provide a sustainable, multimodal and integrated transport system which enables our communities to be united and to prosper, providing access for all our people to the opportunities and services they need to live healthy, sustainable and fulfilling lives.

We continue to provide substantial funding in support of Wales's bus network. Our Bus Services Support Grant will help local authorities subsidise a range of bus and community transport services throughout Wales that would otherwise not run without public funding.

We have provided an additional £2m to support the Youth Discounted Travel Scheme. We have included provision of £60m to continue our Concessionary Bus Travel Scheme, with more than 750,000 pass holders resident in Wales. This makes bus travel more affordable for younger people and provides free travel for older people to access employment, education, social events, training, medical appointments and any other journey purposes.

Our City Regions recognise not only that cities must be drivers of growth, but that prosperity must be shared across the wider regions. They are emphasising connectivity and skills as core priorities. These priorities are an enabler of growth and are fundamental in facilitating inclusive access to jobs and opportunities.

Participation in the labour market is recognised as a key driver of movement in and out of poverty. Over half of entries into poverty are associated with a fall in earnings, primarily due to job loss. We know that workless households are more at risk of being in poverty and are especially at risk of living in persistent poverty. Being unemployed adversely affects both mental and physical wellbeing.

The people of Wales are a central focus of the interventions throughout the EAP. The EAP sets out a number of key changes to our approach to economic development, all of which have the potential to support prosperity for all and inclusive growth.

The Economic Contract is the centrepiece of our new approach, and frames the reciprocal relationship between Government and business to drive public investment with a social purpose. We are applying the Economic Contract to our direct financial support to business, and exploring extending the contract to include our wider offer to business and the adoption of these principles by the rest of the public sector in Wales. The Economic Contract requires businesses seeking investment to demonstrate that, amongst other things, they are promoting fair work and health, skills and learning in the workplace.

ECONOMY & TRANSPORT MEG

Draft Budget Allocations 2019-20 – Re-stated presentation

ECONOMY AND TRANSPORT - NEW STRUCTURE			ECONOMY AND TRANSPORT - OLD STRUCTURE			
RESOURCE			RESOURCE			
Budget Expenditure Line	2018-19 Supp Budget New Plans June 2018	2019-20 Plans as per 2018-19 Final Budget	Budget Expenditure Line	2018-19 Supp Budget New Plans June 2018	2019-20 Plans as per 2018-19 Final Budget	Former Action Description
	£000s	£000s		£000s	£000s	
Business Development (Enabling Initiatives)	13,242	11,742	Business Development	2,500	1,000	Sectors
			Construction	264	449	
			Business Solutions	434	434	
			Enterprise Zones	831	1,030	
			Energy & Environment	1,458	1,753	
			Advanced Materials & Manufacture	526	1,150	
			Creative Industries	1,636	1,708	
			Financial & Professional Services	150	150	
			Life Sciences	2,200	2,200	
			ICT	2,552	1,828	
Export Trade and Inward Investment	1,892	1,892	Single Investment Fund	691	40	Sectors
Regional Economic Development	263	263	Trade and Inward Investment	1,892	1,892	
Entrepreneurship	1,768	1,768	Regional Development and Delivery	263	263	
Social Enterprise and Economy	730	730	Youth Entrepreneurship	1,768	1,768	
Business Wales	8,443	8,443	Social Enterprise and Economy	730	730	
			Entrepreneurship Delivery Start Up & Business Wales	8,443	8,443	Entrepreneurship & Business Information

Business Innovation	859	604
Action: Inclusive Growth and Future Proofing the Welsh Economy	27,197	25,442
Tourism & Marketing	13,762	11,762
Major Events	3,918	3,918
Action: Promote and Protect Wales' Place in the World	17,680	15,680
Science	773	141
Action: Science	773	141
Property Infrastructure	4,026	4,026
Action: Economic Infrastructure Development	4,026	4,026
Strategic Policy Development	450	450
Healthy Working Wales	800	800
Corporate Programmes & Services	992	992
Strategic Business Events and Communications	100	100
Action: Corporate Programmes	2,342	2,342
Network Asset Management	5,836	5,836
Network Operations	77,264	77,264
Action: Motorway & Trunk Road Operations	83,100	83,100
Network Operations Non Cash	188,691	188,691
Action: Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash	188,691	188,691
Aviation	5,605	5,605
National Transport Infrastructure	1,000	5,000
Transport for Wales	151,281	123,674

Academia & Business Collaboration	859	604	Innovation
	27,197	25,442	
Tourism	13,762	11,762	Sectors
Major Events Unit	3,918	3,918	Major Events
	17,680	15,680	
Science	773	141	Science
	773	141	
Property Infrastructure	4,026	4,026	Deliver Property Related Infrastructure
	4,026	4,026	
Economic Analysis	157	157	Corporate Programmes
Strategic Engagement	293	293	
Healthy Working Wales	800	800	
Corporate Programmes & Services	992	992	
Strategic Business Events and Communications	100	100	
	2,342	2,342	
Network Asset Management & Support	5,836	5,836	Motorway & Trunk Road Operations
Network Operations	77,264	77,264	
	83,100	83,100	
Network Operations Non Cash	188,691	188,691	Improve and Maintain Trunk Road Network (Domestic Routes) - Non Cash
	188,691	188,691	
Aviation	5,605	5,605	Road, Rail, Air and Sea Services and Investment
New Road Construction and Improvement	1,000	5,000	
Rail Franchise & Service Improvements	151,281	123,674	

Action: Road, Rail, Air and Sea Services and Investment	157,886	134,279
Bus Support	30,205	29,205
Smartcards	966	966
Concessionary Fares	21,169	23,482
Youth Discounted Travel Scheme	1,000	1,000
Sustainable & Active Travel	630	630
Action: Sustainable Travel	53,970	55,283
Road Safety	4,764	4,764
Action: Improve Road Safety	4,764	4,764
Prosperity for All (E&T Additional Allocation)	0	8,000
	0	8,000
TOTAL	540,429	521,748

	157,886	134,279	
Bus Support	30,205	29,205	Sustainable Travel
Smartcards	966	966	
Concessionary Fares	21,169	23,482	
Youth Concessionary Fares	1,000	1,000	Youth Concessionary Fares
Sustainable Travel & Walking & Cycling	630	630	Sustainable Travel
	53,970	55,283	
Road Safety	4,764	4,764	Improve Road Safety
	4,764	4,764	
Prosperity for All (E&T Additional Allocation)	0	8,000	
	0	8,000	
TOTAL	540,429	521,748	

Back Page 100

ECONOMY AND TRANSPORT - NEW STRUCTURE			
CAPITAL			
Budget Expenditure Line	2018-19 supp Budget New Plans June 2018	2019-20 Plans as per 2018-19 Final Budget	2020-21 Plans as per 2018-19 Final Budget
	£000s	£000s	£000s
Business Development (Direct Support)	83,671	53,468	27,556
Tech Valleys	0	0	0
Business Innovation	3,811	4,066	4,066
Action: Inclusive Growth and Future Proofing the Welsh Economy (Support for the Calls to Action)	87,482	57,534	31,622
Business Finance Funds	7,000	18,000	3,000
Action: Development Bank of Wales	7,000	18,000	3,000
Science	4,561	4,654	4,874

ECONOMY AND TRANSPORT - OLD STRUCTURE				
CAPITAL				
Budget Expenditure Line	2018-19 supp Budget New Plans June 2018	2019-20 Plans as per 2018-19 Final Budget	2020-21 Plans as per 2018-19 Final Budget	Former Action Description
	£000s	£000s	£000s	
Construction	-49	-22	-22	Sectors
Business Solutions	49,634	21,993	14,911	
Enterprise Zones	2,500	0	0	
Energy & Environment	5,975	13,647	5,427	
Advanced Materials & Manufacture	8,884	11,420	2,465	
Creative Industries	7,662	515	989	
Financial & Professional Services	2,791	2,710	1,870	
Life Sciences	2,090	798	801	
ICT	2,184	407	115	
Tourism	2,000	2,000	1,000	
	0	0	0	
Business Innovation	1,254	1,254	1,254	Innovation
Innovation Centres and R&D Facilities	945	1,200	1,200	
Academia & Business Collaboration	1,612	1,612	1,612	
	87,482	57,534	31,622	
Business Finance Funds	7,000	18,000	3,000	Sectors
	7,000	18,000	3,000	
Science	4,561	4,654	4,874	Science

Action: Science	4,561	4,654	4,874
Strategic Infrastructure Development	0	0	0
Property Infrastructure	10,625	8,677	8,386
Action: Economic Infrastructure Development	10,625	8,677	8,386
Network Asset Management	950	850	0
Network Operations	40,663	40,997	51,613
Action: Motorway & Trunk Road Operations	41,613	41,847	51,613
Aviation	6,777	6,073	0
National Transport Infrastructure	78,254	106,394	173,840
Transport for Wales	125,973	168,996	157,627
Action: Road, Rail, Air and Sea Services and Investment	211,004	281,463	331,467
Smartcards	1,000	1,000	1,000
Local Transport Priorities	10,150	10,150	5,150
Concessionary Fares	38,964	36,651	27,000
Sustainable & Active Travel	16,650	6,650	6,650
Action: Sustainable Travel	66,764	54,451	39,800
Road Safety	6,900	6,900	6,900
Action: Improve Road Safety	6,900	6,900	6,900
TOTAL	435,949	473,526	477,662

	4,561	4,654	4,874	
	0	0	0	N/A
Property Infrastructure	10,625	8,677	8,386	Deliver Property Related Infrastructure
	10,625	8,677	8,386	
Network Asset Management & Support	950	850	0	Motorway & Trunk Road Operations
Network Operations	40,663	40,997	51,613	
	41,613	41,847	51,613	
Aviation	6,777	6,073	0	Road, Rail, Air and Sea Services and Investment
New Road Construction and Improvement	78,254	106,394	173,840	
Rail Investment	125,973	168,996	157,627	
	211,004	281,463	331,467	
Smartcards	1,000	1,000	1,000	Sustainable Travel
Local Transport Priorities	10,150	10,150	5,150	
Concessionary Fares	38,964	36,651	27,000	
Sustainable Travel & Walking & Cycling	16,650	6,650	6,650	
	66,764	54,451	39,800	
Road Safety	6,900	6,900	6,900	Improve Road Safety
	6,900	6,900	6,900	
TOTAL	435,949	473,526	477,662	